

An aerial view of a residential neighborhood with numerous white houses. One house in the center is highlighted in red, standing out from the rest of the neighborhood.

The Subprime Mortgage Impact On Missouri Consumers:

July 8, 2008

By:

Robert O. Weagley, Ph.D., CFP(r)
*Chair, Personal Financial Planning Department
University of Missouri-Columbia*

Nancy Pierce, Ph.D.
President, Tipton Research Group



In Cooperation with
The Missouri Credit Union Association



The Subprime Mortgage Impact On Missouri Consumers:

**A Glossary And
Description Of
Mortgage Terms**

Sections:

Glossary and Description of Mortgage Term	Page 1
A Primer on the Subprime Mortgage Industry	Page 12
Subprime Mortgage Impact in Missouri	Page 29
Responses to Subprime Mortgage Problems: Lawmakers, Credit Unions, Consumers	Page 60

Glossary Table of Contents

Executive Summary	Page 1
Conforming/Non-Conforming Loans	Page 2
Conventional/Non-Conventional Mortgage Loans	Page 2
Fixed-Rate/Adjustable-Rate Mortgages	Page 3
Primary and Secondary Markets	Page 4
Prime/Subprime/Predatory Mortgage Loans	Page 4
Securitization	Page 5
Appendix	Page 8
References	Page 11

The Subprime Mortgage Impact on Missouri Consumers:

A Glossary and Description of Mortgage Terms

Executive Summary

Unless your profession is tied to the mortgage industry, the terminology can be obscure and confusing. This glossary primer is intended to serve as a reference guide to mortgage terms. The following terms are defined and described:

- Conforming/Non-Conforming Loans
- Conventional/Non-Conventional Loans
- Fixed-Rate/Adjustable-Rate Mortgages (including common indices used)
- Primary/Secondary Markets
- Prime/Subprime/Predatory Mortgage Loans
- Securitization and mortgage-backed securities

The secondary mortgage market enables mortgage originators to package and sell those mortgages to long-term investors. The secondary market provides liquidity to financial institutions and decreases risk associated with holding a mortgage. Lower risk means lower margins that need to be charged to borrowers. As such, the secondary market plays an important role in the mortgage business.

Securitization is the process of packaging mortgage loans and selling them as mortgage-backed securities (MBS) to investors. Securitization is a very complex subject, particularly subprime securities. Whereas subprime loan securitization enabled more people to enjoy home ownership, it also promoted greed and became the demise of subprime mortgage credit today. Nonprime borrowers now find access to mortgage credit increasingly unattainable.

The difference between a prime and subprime loan is the existence of a premium the borrower pays for the subprime loan that is greater than the prevailing prime market rate, generally, because of credit blemishes. A subprime loan is not necessarily a predatory loan, although it may be more apt to include predatory features than prime loans. In a nutshell, predatory lending can be viewed as either withholding important information from the borrower or where the borrower does not fully understand the terms of the loan, **and** where, as a result, the borrower ends up paying more for the loan than the borrower's risk would require.

(Footnotes listed at the bottom of pages, unless a more detailed explanation of information, refer to the author or reference citing that can be found at the conclusion of the paper in alphabetical order.)

Conforming/Non-Conforming Loans

Conforming conventional mortgages are those underwritten to the guidelines of Freddie Mac and Fannie Mae (See Primary and Secondary Markets), including the conforming loan limit. Those that do not meet these guidelines are referred to as non-conforming. The 2008 loan limit for a one-family, first mortgage loan remained the same as for 2006 and 2007 at \$417,000. Loans above this limit are referred to as Jumbo loans. As part of the 2008 economic stimulus package (passed February 13, 2008), the conforming limit was temporarily increased through the end of 2008 to 125 percent of the median home price in the region, but not to exceed \$729,750. HUD has 30 days from the date the bill passed to publish median home prices throughout the country.

Loans that meet the borrower credit requirements of Fannie Mae and Freddie Mac are referred to as “A” paper. Loans that do not, are called “B,” “C,” and even “D” paper (depending on credit scores). Fannie Mae and Freddie Mac will also have other loan requirements to restrict risk such as payment-to-income ratios, debt-to-income ratios, and loan-to-value (LTV) ratios. Typically, the LTV must be 80% or lower, or the borrower can purchase private mortgage insurance (PMI) from a third party who then bears the risk of default.

Conventional/Non-Conventional Mortgage Loans

Any mortgage loan other than an FHA, VA or an HRS loan is a conventional loan.

Federal Housing Administration (FHA) Loans

The FHA is part of the U.S. Department of Housing and Urban Development (HUD), which is responsible for national programs to address America’s housing needs. FHA underwrites homeownership for first-time buyers and others unable to meet the down payment requirements for conventional loans by providing mortgage insurance to private lenders up to restricted limits. Borrowers must apply to a HUD-approved lender.

VA Loans

VA loans are guaranteed by the U.S. Department of Veteran Affairs. Veterans and service persons must obtain a certificate of eligibility from the VA that can be used to obtain home loans with favorable loan terms and generally without a down payment.

Rural Housing Service (RHS) Loans

The RHS is part of the U.S. Department of Agriculture and guarantees loans for rural residents, requiring minimal closing costs and no down payment.

Fixed-Rate/Adjustable-Rate Mortgages

Fixed-rate mortgages (15 and 30 year) are the most common type of mortgage, and account for approximately 70 percent of the total mortgage market.¹

Adjustable-rate mortgages (ARMs) have interest rates that vary over the loan term based on some index plus a fixed margin. ARMs most often have a fixed introductory term for a period that can range from two to five years. Following that period, the rate will vary depending on the index and generally will change every six to twelve months. There is typically a limit as to how much the interest rate can rise or fall within each interval, as well as upper and lower bounds for the interest rate over the life of the loan.

Three of the more common indices are the Constant Maturity Treasury (CMT), 11th District Cost of Funds (COFI), and the London Inter Bank Offering Rates (LIBOR). Each index has its benefits and drawbacks. Generally, a loan tied to a lagging index such as the COFI is better when rates are rising; conversely, a leading index such as the CMT is better when rates are declining.²

Constant Maturity Treasury (CMT)

The CMT rates are also referred to as Treasury Yield Curve Rates. The index is based on the most recently auctioned 1-, 3-, 6-month Treasury bills and 5-, 10-, 30-year notes. This index is more volatile than some of the other indices and reacts more quickly to changes in economic conditions.³

11th District Cost of Funds (COFI)

This index is based on the weighted-average interest rate paid by the 11th Federal Home Loan Bank District savings institutions for checking and savings accounts, advances from the FHLB, and other sources of funds. Since the largest part of the index is based on interest paid on savings, it lags market interest rates and as such, is beneficial in a rising rate environment. It is one of the least volatile of indices and is a popular ARM index.⁴

London Inter Bank Offering Rates (LIBOR)

LIBOR is an average of the interest rate on Eurodollars traded among banks in London. It is an international index which reflects world economic conditions. It can often offer borrowers with lower initial rates, but is more volatile than the COFI index.⁵

Rates on ARMs tend to be lower than equivalent fixed-rate loans because the borrower bears most of the interest rate risk. Interest rate risk relates to the inverse relationship that exists between interest rates and bond prices, or in this case, interest rates and the value of the mortgage note. If interest rates rise, the value of the note declines and vice versa. The risk increases as the duration of the loan increases. Because ARMs have interest rates that adjust throughout the term of the loan, there is less rate risk for the loan originator, but greater risk for the borrower.

¹ McDonald, D.J. & Thornton, D.L.

² www.mortgage-x.com/general/mortgage_indexes.asp

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

Primary and Secondary Markets

The mortgage market consists of two separate, yet connected systems: the primary mortgage market and the secondary market. When new mortgages are originated, they are part of the primary market. These originators or lenders include banks, credit unions, savings associations, and mortgage brokers. Mortgage brokers are non-depositories and as such, rely on financing through other lenders or commercial paper secured by mortgages. Depository lenders can choose to hold the loans they originate or package them for resale on the secondary market, giving them access to additional loan funds.

The two major players in the secondary residential market are the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). They are referred to as government sponsored enterprises (GSEs) as opposed to “private-label” issuers (non-GSEs), which are the primary funding sources for subprime mortgages. Loans purchased by Fannie Mae or Freddie Mac are referred to as “conforming” loans, because they meet the loan requirements set up by the two GSEs. (See “Conforming/Non-Conforming Loans” for additional information.)

Fannie Mae and Freddie Mac were both created to increase the availability of residential mortgage finance. Fannie Mae got its start in 1938 as part of the National Housing Act of 1934. Its purpose was to buy mortgages from originators. Originally these purchases were funded through debt obligations of the federal government. In 1968, Fannie Mae was spun off and became a publicly traded corporation and its debt obligations became part of the new corporation.

Freddie Mac was created in 1970 by the Federal Home Loan Bank system to purchase mortgages from member S&Ls. Freddie Mac became a publicly traded company in 1989. As GSEs, the corporations enjoy some advantages over private organizations. Among these are exemption from state and local income taxes, access to a \$2.25 billion line of credit with the U.S. Treasury, and their securities are considered government securities under the Securities Exchange Act of 1934. Together, the corporations held \$4.9 trillion in total mortgages as of year end 2007, of which \$3.5 trillion was in outstanding mortgage-backed securities (MBS).⁶

Prime/Subprime/Predatory Mortgage Loans

The simplest distinction between a prime and subprime loan is the existence of a premium that the borrower pays for the subprime loan that exceeds the prevailing prime market rate. The premium amount is based on the expected risks the lender takes for borrower default on the loan, or what is generally referred to as “credit risk.” Typically, subprime loans are made to borrowers with A- or lower credit levels, or those with credit scores below 650.⁷

The near prime market includes “Alt-A” borrowers, or those with good credit, but who represent higher risk because of other factors, such as higher loan-to-value (LTV) ratios, higher payment-to-income ratios, no or limited documentation of income, unstable income, or some combination of these.

⁶ www.ofheo.gov/media/marketdata/ESRMDOutstanding19902007.xls.

⁷ Renuart, E.

In a 2001 statement regarding “Expanded Guidance for Subprime Lending Programs,” federal agencies⁸ defined “subprime borrowers” as those with “weakened credit histories that include payment delinquencies, and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories.”

The agencies clarify that subprime lending is not synonymous with predatory lending, but refer to predatory or abusive loan practices. In particular, they note that predatory lending includes at least one of the following elements:

- Loans made based solely on the foreclosure value of the borrower’s collateral rather than ability to repay the mortgage;
- Causing a borrower to repeatedly refinance a loan so as to collect additional points and fees with each refinance – also referred to as “loan flipping;”
- Fraudulent or deception practices to conceal the true nature of the obligation or to add ancillary products without the borrower’s knowledge.

The document emphasizes the importance of verifying the borrower’s ability to repay the loan. If the mortgage product is an adjustable-rate mortgage that offers a low initial payment or “teaser rate” that could result in payment shock when the rate resets, lenders are advised to evaluate the borrower’s ability to repay the obligation at the fully indexed rate,⁹ using a fully amortizing repayment schedule, based on the term of the loan. Any prepayment penalties should not exceed the initial reset period and borrowers should be provided “a reasonable period of time (typically at least 60 days prior to the reset date) to refinance without penalty.”

In a nutshell, predatory lending can be viewed as either withholding important information from the borrower or where the borrower does not fully understand the terms of the loan, **and** where, as a result, the borrower ends up paying more for the loan than the borrower’s risk would require.

Securitization

Securitization is the process of packaging assets, such as home mortgage loans, and selling them as asset-backed bonds. These are referred to as mortgage-backed securities or MBS. Investors receive cash flows from the pool of mortgages. Securitization has played a major role in the increase of credit available in the mortgage markets. It has also led to the expansion of the array of mortgage products that has contributed to unprecedented levels of home ownership.

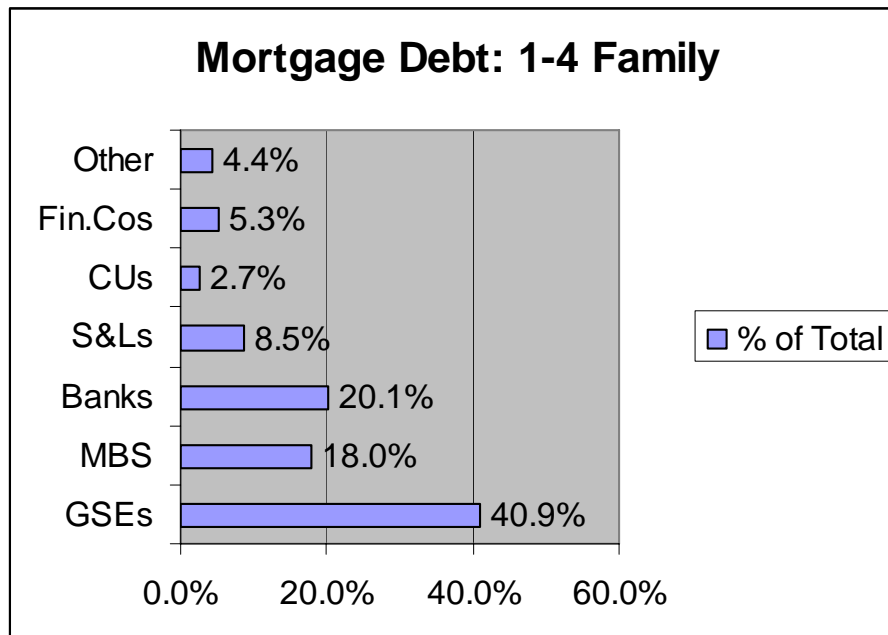
Subprime securities are attractive to investors because they carry a higher premium than prime loans. The share of U.S. mortgage debt held in private-label MBS grew from 9 percent in 2003 to 18 percent in 2006, while the share held by GSEs decreased from 52

⁸ Office of the Comptroller of the Currency.

⁹ The fully indexed rate equals the index rate prevailing at origination plus the margin to be added to it after the expiration of an introductory interest rate.

percent to 41 percent over the same time periods.¹⁰ Between 75 and 80 percent of the estimated \$600 billion of subprime originations in 2006 were funded by securitizations.¹¹

Mortgage debt outstanding at the end of 2006 for 1 to 4 family properties was \$10.2 trillion.¹² The graph below shows the percent of mortgage debt held in securities by GSEs and non-GSEs (MBS). The remaining debt would be that retained by the originator.



The Appendix contains an explanation of the securitization structure and a diagram showing the many players involved in the process. Securitization is a very complex structure and not all securitizations are identical. Even Moody's, the mortgage backed securities rating organization, has concluded the current financial system is too complex to understand, much less price, for the risk embedded in complex financial instruments.¹³

So whereas it was securitization, especially subprime securitization that accelerated rates of home ownership in recent years, it was the complexities of securitization that prompted greed and allowed mortgage lenders to develop increasingly risky mortgage instruments to be packaged and sold on the secondary market. As the financial impacts of these risky investments have unfolded and investor uncertainty has increased, the subprime securitization market has essentially withered, making it all but impossible for nonprime borrowers to obtain mortgage credit.

¹⁰ Bair, S.C.

¹¹ Bair's estimate is 75%. Inside Mortgage Finance indicates 80% is securitized.

¹² www.census.gov/compendia/statab/tables/08s1161.xls. Graph compiled by authors.

¹³ Stahl, S.W.

Types of MBS¹⁴

- **Pass-Through Security**
The simplest MBS, the pass-through or participation certificate represents direct ownership in a pool of mortgages. Investors receive a pro-rata share of interest and principal payments as borrowers repay.
- **Collateralized Mortgage Obligation (CMO)**
CMOs are pools of pass-through mortgages. Investors are categorized into groups, called tranches, by some quality, such as repayment time. Each tranche holds securities with similar maturities and cash flows. As mortgage payments are made, the issuer pays the stated coupon interest rate to investors within each tranche, then repays principal payments to the investors in the first tranche. When the first tranche is repaid, payments go to the next tranche. CMOs enable pre-payment risk to be transferred from one tranche to another.
- **Stripped Mortgage Security**
Mortgage repayments are split (stripped) into two securities: Interest only (IO) and Principal only (PO). An IO pays interest that is based on the amount of outstanding principal and cash flows decline as the principal balance declines. With a PO investors receive all principal repaid including amortized payments and pre-payments.

¹⁴ www.riskglossary.com/articles/mortgage_backed_security.htm

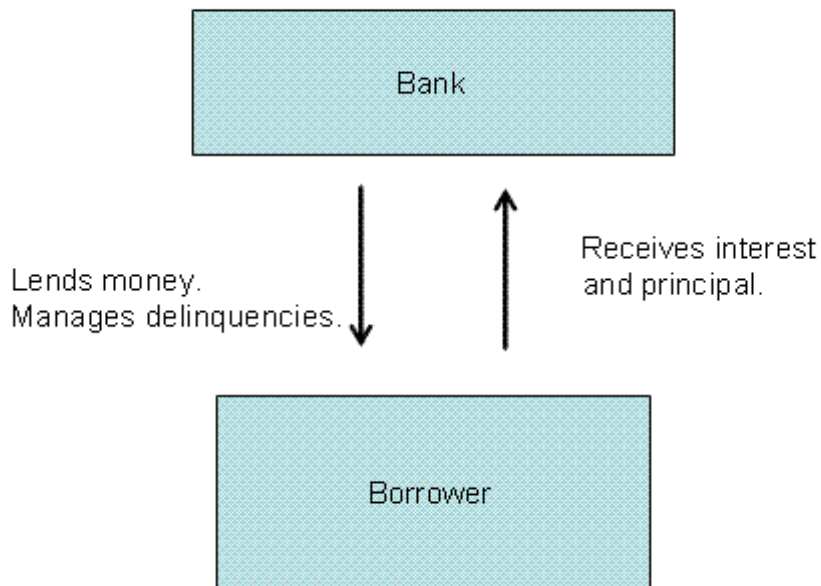
Appendix

(The following information regarding securitization is taken from the written statement of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation before the Committee on Financial Services, U.S. House of Representatives, April 17, 2007. For a complete copy of the report, see references.)

Securitization Structure

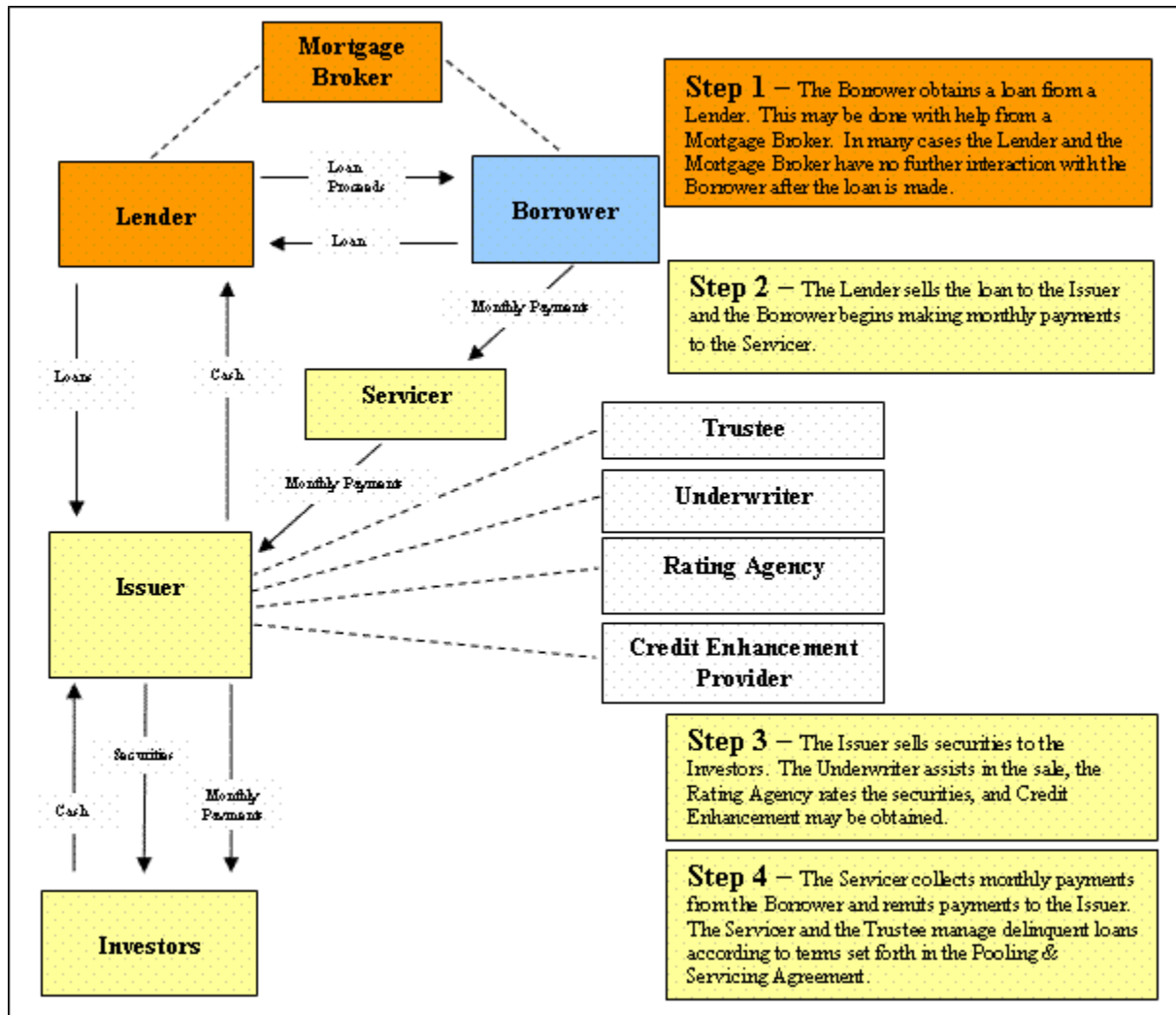
Prior to the widespread use of securitization, home finance typically involved a bank or savings institution granting a loan to a borrower. The lending institution would make the decision to grant credit, fund the loan, and collect payments. In the event of borrower default, the same institution could choose to restructure the loan or foreclose on the property. The lender also might have an established relationship with the borrower, and, thus, be able to evaluate the relative long-term benefits of various alternatives. This relatively simple relationship between the borrower and lender illustrated in the diagram below has given way to a far more complicated securitization structure which includes multiple parties, each with unique and often divergent interests.

Borrowing Under the Traditional Borrower/Lender Relationship



The securitization structure diagram below shows the components of a typical securitization. It is important to note that not all securitizations are identical. For example, the lender and the servicer are sometimes the same entity, or in other arrangements brokers may not play a role. Nevertheless, the diagram generally illustrates the roles of the various participants in a securitization structure.

Borrowing Under a Securitization Structure



As the terminology is used in the securitization contracts and in the diagram above, the key elements to a typical securitization include the following:

- **Issuer** - A bankruptcy-remote special purpose entity (SPE) formed to facilitate a securitization and to issue securities to investors.⁸
- **Lender** - An entity that underwrites and funds loans that are eventually sold to the SPE for inclusion in the securitization. Lenders are compensated by cash for the purchase of the loan and by fees. In some cases, the lender might contract with mortgage brokers. Lenders can be banks or non-banks.
- **Mortgage Broker** - Acts as a facilitator between a borrower and the lender. The mortgage broker receives fee income upon the loan's closing.
- **Servicer** - The entity responsible for collecting loan payments from borrowers and for remitting these payments to the issuer for distribution to the investors. The servicer is typically compensated with fees based on the volume of loans serviced. The servicer is generally obligated to maximize the payments from the borrowers to the issuer, and is responsible for handling delinquent loans and foreclosures.
- **Investors** - The purchasers of the various securities issued by a securitization. Investors provide funding for the loans and assume varying degrees of credit risk, based on the terms of the securities they purchase.

- **Rating Agency** - Assigns initial ratings to the various securities issued by the issuer, and updates these ratings based on subsequent performance and perceived risk. Rating agency criteria influence the initial structure of the securities.
- **Trustee** - A third party appointed to represent the investors' interests in a securitization. The trustee ensures that the securitization operates as set forth in the securitization documents, which may include determinations about the servicer's compliance with established servicing criteria.
- **Securitization Documents** - The documents create the securitization and specify how it operates. One of the securitization documents is the Pooling and Servicing Agreement (PSA), which is a contract that defines how loans will be combined in a securitization, the administration and servicing of the loans, representations and warranties, and permissible loss mitigation strategies that the servicer can perform in event of loan default.
- **Underwriter** - Administers the issuance of the securities to investors.
- **Credit Enhancement Provider** - Securitization transactions may include credit enhancement (designed to decrease the credit risk of the structure) provided by an independent third party in the form of letters of credit or guarantees.

Securitization takes the role of the lender and breaks it into separate components. Unlike the more traditional relationship between a borrower and a lender, securitization involves the sale of the loan by the lender to a new owner--the issuer--who then sells securities to investors. The investors are buying "bonds" that entitle them to a share of the cash paid by the borrowers on their mortgages. Once the lender has sold the mortgage to the issuer, the lender no longer has the power to restructure the loan or make other accommodations for its borrower. That becomes the responsibility of a servicer, who collects the mortgage payments, distributes them to the issuer for payment to investors, and, if the borrower cannot pay, takes action to recover cash for the investors. The servicer can only do what the securitization documents allow it to do. As described below, these contracts may constrain the servicer's flexibility to restructure the loans.

With so many parties and components involved, securitizations are significantly more complicated than the traditional borrower/lender relationship. The securitization is governed by securitization documents and is administered by a trustee. This separation of the functions previously done by a single lender creates a funding mechanism that has facilitated new types of financing and has expanded credit availability. However, the increased complexity of the structure and the different interests of the various securitization parties can make credit workout strategies more complicated than in a direct borrower/lender relationship.

The interests and obligations of the various parties are set forth in the securitization documents and are closely monitored by the trustee. Further complicating the situation is the fact that the interests of the participants might not be aligned – with each other or with the borrower. Generally speaking, this arrangement complicates the loan modification process.

References

Bair, S.C. (2007). *Possible Responses to Rising Mortgage Foreclosures* (Statement by Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation before the Committee on Financial Services, U.S. House of Representatives, April 17, 2007). Retrieved from www.fdicc.gov/news/news/speeches/archives/2007/chairman/spapr1707.html on 3/11/08.

Inside Mortgage Finance, (2006). *The 2007 Mortgage Market Statistical Annual Top Subprime Mortgage Market Players & Key Data*. Cited in *The Subprime Lending Crisis Report and Recommendations* by the Majority Staff of the Joint Economic Committee, October 2007, retrieved from <http://jec.senate.gov/Documents/Reports/10.25.07OctoberSubprimeReport.pdf> on 1/13/08.

McDonald, D.J. & Thornton, D.L. (Jan/Feb. 2008). A Primer on the Mortgage Market and Mortgage Finance. *Federal Reserve Bank of St. Louis Review*.

Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. (2001). *Expanded Guidance for Subprime Lending Programs* retrieved at <http://www.federalreserve.gov/Boarddocs/SRletters/2001/sr0104a1.pdf> on 12/26/07. See also Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration. (2007). *Statement on Subprime Mortgage Lending* retrieved at <http://www.occ.treas.gov/ftp/release/2007-64a.pdf> on 12/26/07.

Renuart, E. (2004). An Overview of the Predatory Mortgage Lending Process. *Housing Policy Debate*, 15(3), 467-502

Stahl, S.W. (March 11, 2008). *Point Blame at the Fed*, *Kansas City Star Business Weekly*.

www.census.gov/compendia/statab/tables/08s1161.xls, retrieved 3/12/08.

www.mortgage-x.com/general/mortgage_indexes.asp

www.ofheo.gov/media/marketdata/ESRMDOutstanding19902007.xls, retrieved 3/11/08.

www.riskglossary.com/articles/mortgage_backed_security.htm retrieved 12/21/07.



The Subprime Mortgage Impact On Missouri Consumers:

**A Primer On
The Subprime
Mortgage Industry**

Table of Contents

Executive Summary	Page 14
Evolution of the Subprime Mortgage Industry	Page 15
Size of the Subprime Market	Page 15
The Role of Mortgage Brokers	Page 17
The Role of Securitization	Page 18
Types of Subprime Loans	Page 19
Borrower Characteristics of Subprime Market	Page 21
Impact of Subprime Mortgage Dilemma	Page 22
References	Page 27

The Subprime Mortgage Impact on Missouri Consumers:

A Primer on the Subprime Mortgage Industry

Executive Summary

Investors are familiar with the bear and bull markets. Some subprime mortgage investors are discovering there are pig and sheep markets, as well, although a deer in headlights is a more apt description of those investors today.

Subprime lending became legal in 1980, but it wasn't until the mid-1990s that it became attractive to homebuyers as interest rates increased and many buyers couldn't qualify for the more restrictive prime loan ratios. But it was the effects of securitization driven by investor demand for higher-priced loans that provided the fuel for subprime lending from 2002 through 2006. Subprime mortgages reached their peak in 2005 at \$625 billion in originations, 20 percent of overall mortgage originations.

Greed fostered obscure mortgage products and lax underwriting and predatory practices. It all worked as long as home values continued to appreciate so that when rates reset upward on hybrid adjustable rate mortgages and subprime borrowers were facing steep payment hikes, they were able to refinance or sell their homes. In the end, it was like a house of cards, kept erect by inflated air. The air started to seep out in 2006 when home appreciation began to slow, then decline, and borrowers facing rate resets could no longer refinance or sell at amounts equal to their loan balances. As creditors tightened their lending standards, as the Fed increased the federal funds rate, as more rate resets took affect, and as home values further declined, many subprime borrowers who were unable to make their new payments found themselves with few options but to walk away from their homes. The leak suddenly became a torrent of air and the cards began to scatter.

With foreclosures increasing and housing inventory increasing, home sales and prices continued their decline. Investors froze and credit markets dried up in mid-2007. Banks are now approaching their capital limits as they devalue assets for past bad loans. This will further diminish credit to potential homebuyers, particularly those that can't qualify for prime loans. It will take quite awhile for the pendulum to swing back to reasonableness and discretion.

This paper describes the evolution of the subprime industry, its size, the role that brokers and securitization has played in its growth, types of subprime loans, borrower characteristics, and concludes with the impact that subprime mortgages have had on consumers.

(Footnotes listed at the bottom of pages refer to the author or reference citing that can be found at the conclusion of the paper in alphabetical order.)

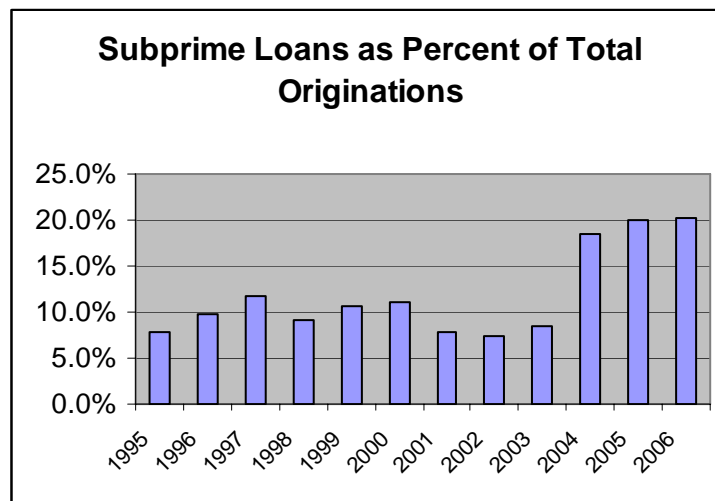
Evolution of the Subprime Mortgage Industry

Many factors have contributed to the subprime loan growth. Most fundamental is the fact that it became legal. The 1980 Depository Institutions Deregulation and Monetary Control Act (DIDMCA) preempted state interest rate caps. The Alternative Mortgage Transaction Parity Act of 1982 allowed the use of variable interest rates and balloon payments. But it was the Tax Reform Act (TRA) of 1986 which eliminated the tax deduction of interest on consumer loans, but allowed deductions of interest on mortgage loans that opened the doors to mortgage debt demand.

An increase in interest rates in the mid-1990s also made the subprime market more attractive to homebuyers. As rates rose, fewer homebuyers could qualify for the more restrictive lending ratios required in the prime market. Mortgage companies responded using the subprime market to meet demand. Loan volume was financed through mortgage-backed securities (MBS) using subprime loans as collateral.

Figure 1 illustrates the growth of subprime loans originated from 1995 through 2006 when it reached 20 percent of total originations.

Figure 1¹⁵



Source: Inside B&C Lending and Inside Mortgage Finance

Size of the Subprime Market

Subprime mortgages represent about 14 percent of all first-lien mortgages, or about 7.5 million first-lien loans. Near-prime loans, often referred to as Alt-A, account for another 8 to 10 percent of mortgages.¹⁶ These are loans to borrowers who generally have higher credit scores than subprime, but who represent higher risk because of other factors.

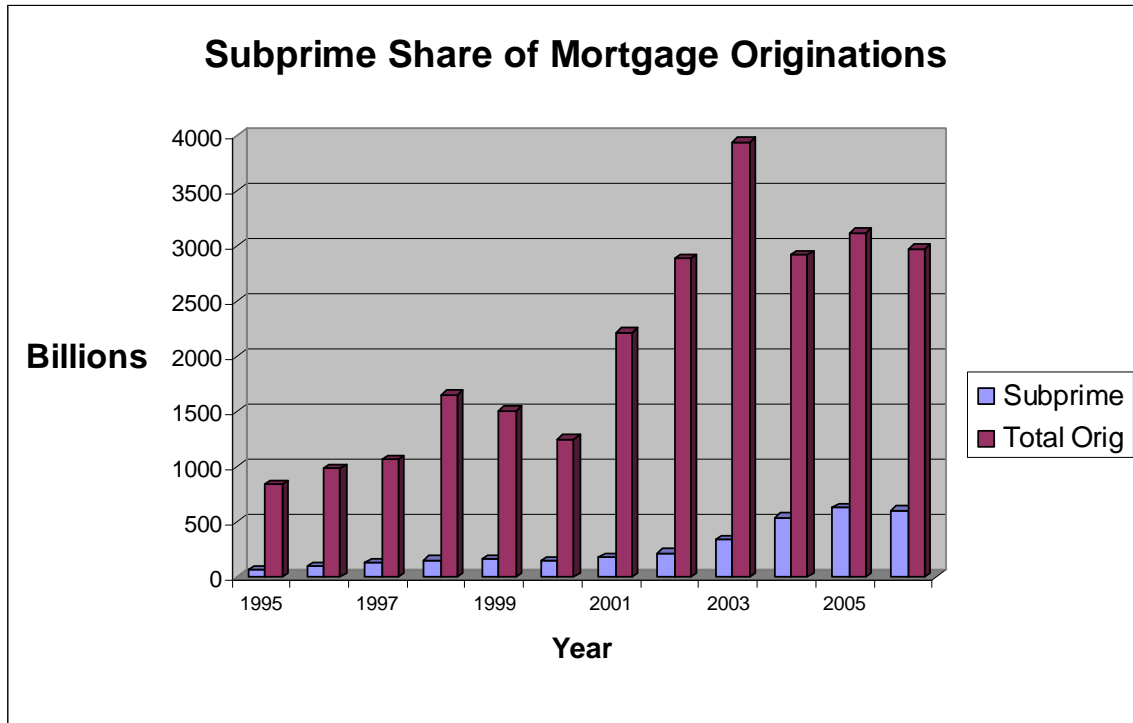
In 1995 subprime loan originations totaled \$65 billion. They reached a high of \$625 billion in 2005 before declining to \$600 billion in 2006. Figure 2 illustrates the growing, but still minor role subprime originations have played compared to total annual mortgage

¹⁵ Data for Inside B&C Lending came from Chomsisengphet, S. & Pennington-Cross, A. Data for Inside Mortgage Finance came from Joint Economic Committee.

¹⁶ Bernanke, B.S. (May 17, 2007)

originations, which were \$3 trillion in 2006. As noted earlier, subprime loans represented about 20 percent of total originations in 2006. However, as we will cover later, they may be small in number, but their effects have been felt throughout the U.S. and even other parts of the world.

Figure 2¹⁷



Source: Inside B&C Lending and Inside Mortgage Finance

In the past, when borrowers could not qualify for prime loans, they turned to the Federal Housing Authority (FHA) and Veterans' Administration (VA) for loans. Loans by these government entities declined from 28.5 percent of the market in 1998 to 9.3 percent as of September 2007.¹⁸ Part of the reason for the decline was that FHA limits did not keep pace with median home prices as housing values rose during that period. Also, lower initial payments for some subprime loans may have also attracted borrowers away from the government insured mortgages.

In 1995, 65 percent of households owned their own homes; in 2006, 69 percent did. Minority households and households in lower-income areas recorded some of the largest proportional gains in home ownership.¹⁹ That some of the growth in the home ownership rate is a result of the response and greater flexibility provided by the subprime markets cannot be denied. Subprime lenders have been more willing to make loans in markets that prime lenders have tended to avoid because of higher risks associated with credit and property values.

¹⁷ Data for Inside B&C Lending came from Chomsisengphet, S. & Pennington-Cross, A. Data for Inside Mortgage Finance came from Joint Economic Committee.

¹⁸ Avery, R.B., Brevoort, K.P., & Canner, G.B.

¹⁹ Bernanke, B.S. (May 17, 2007).

Whereas fixed-rate mortgages account for almost 70 percent of mortgages overall, adjustable-rate mortgages (ARMs) became a popular method of financing home loans in the subprime market and ARMs surpassed subprime fixed-rate loans in 2001.²⁰ Figure 3 illustrates the structure of the U.S. mortgage market for the third quarter of 2007.

Figure 3²¹

% Outstanding Loans by Loan Type			
	ARM	FRM	Total
Prime	14.5%	63.1%	77.6%
Sub-prime	6.8%	6.3%	13.1%
FHA & VA			9.3%
Total	21.3%	69.4%	100.0%

Source: Mortgage Bankers Association

The Role of Mortgage Brokers

Mortgage companies represent about 20 percent of mortgage lenders, but initiated 58 percent of mortgage originations in 2006, down from 63 percent in 2005.²² Mortgage brokers play an important role in the origination and pricing of loans. They may work on behalf of a banking institution or other mortgage lender and their compensation is often based in whole or in part, on the interest rate and fees paid by the borrower.

Their role has come under greater scrutiny as the number of defaults in the subprime market has escalated, particularly since mortgage brokers originate about two-thirds of subprime loans.²³ Of concern is whether brokers are providing sufficient information to potential borrowers so they can make informed decisions when selecting a mortgage product. Of equal concern is whether some brokers are misrepresenting borrowers' income, creditworthiness, or the appraised value of the home. In many cases, brokers and the originating lenders do not share in the credit risk when loans are sold to investors and thus, have little incentive to pass along relevant risk information.²⁴

Brokers also have little motivation to provide borrowers the best rates on loans. In fact, there may be incentives such as "yield-spread premiums," (YSP) when brokers close loans with interest rates higher than par for the risk. The YSP is the present value of the higher interest amount the borrower pays over the life of the loan. For example, on a 30-year loan for \$70,200, with a loan rate of 9.5 percent versus the alleged par rate of 8.75 percent, the YSP to the broker would be \$2,457, because the higher interest rate will produce an additional \$13,680 in interest income.²⁵ Loans with higher interest rates are more desirable to market investors.

²⁰ Chomsisengphet, S. & Pennington-Cross, A.

²¹ Mortgage Bankers Association (December 6, 2007).

²² Avery, R.B., Brevoort, K.P., & Canner, G.B.

²³ Majority Staff of the Joint Economic Committee.

²⁴ Avery, R.B., Brevoort, K.P., & Canner, G.B.

²⁵ Renuart, E.

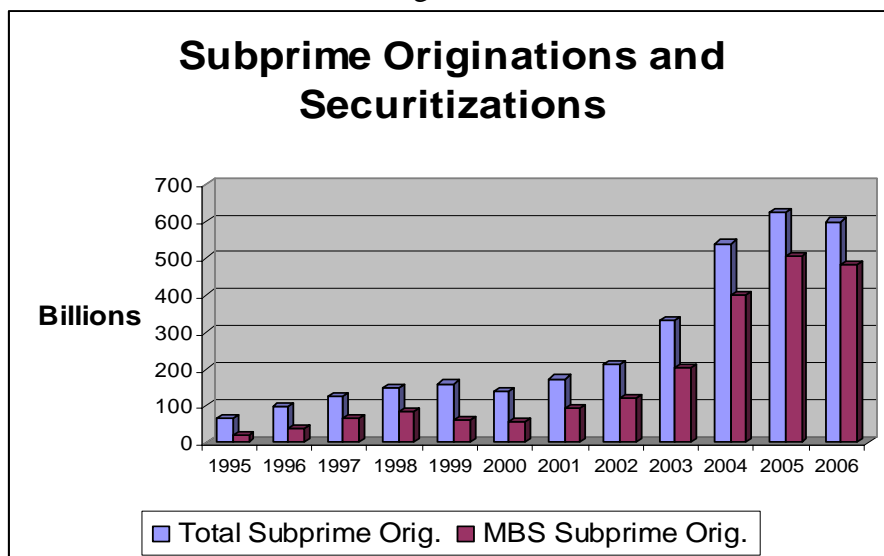
Loans with prepayment penalties are also more desirable because they preclude borrowers from refinancing loans at lower interest rates. Hence, some brokers may be paid higher fees for generating loans with prepayment penalties.²⁶ The share of subprime ARM loans that contained prepayment penalties reached a peak of 80 percent during 2000 and 2002. Subsequently, the proportion of ARM loans with prepayment penalties has declined to about 50 percent, probably a result of the introduction of state predatory lending laws. The share of subprime FRM loans with prepayment penalties has remained fairly steady at about 45 percent. In comparison, only about two percent of prime loans carry prepayment penalties.²⁷

Role of Securitization

Securitization has provided the fuel for subprime lending. Figure 4 compares subprime mortgage-backed securities (MBS) to total subprime originations from 1995 to 2006. During that twelve year time frame, subprime mortgage-backed securities grew from \$18.5 billion to \$483 billion and from 28.5 percent to over 80 percent of subprime mortgage dollars.

Much of this growth in recent years was driven by investor demand for higher returns. This demand encouraged more aggressive outreach to markets (borrowers) typically excluded from home ownership. It also encouraged greed and lax underwriting practices. So, whereas securitization injected a vast supply of liquidity into the subprime mortgage industry, the complexity of its products and markets has made it virtually impossible to hold loan originators at task for deficient practices. If mortgage brokers bear little or no risk for borrower defaults, they have little incentive to originate prudent loans that borrowers can afford.

Figure 4²⁸



Source: Inside B&C Lending and Inside Mortgage Finance

²⁶ Majority Staff of the Joint Economic Committee.

²⁷ Chomsisengphet, S & Pennington-Cross, A.

²⁸ Data for Inside B&C Lending came from Chomsisengphet, S. & Pennington-Cross, A. Data for Inside Mortgage Finance came from Joint Economic Committee.

Types of Subprime Loans

Subprime adjustable rate mortgages (ARMs), as shown previously in Figure 3, represent 6.8 percent of total outstanding mortgages or 52 percent of total subprime loans. However, subprime ARM originations have become increasingly popular, reaching 75 percent of subprime originations during the second half of 2006. In the first half of 2007, ARM originations represented 69 percent of subprime originations.²⁹

2/28 and 3/27 Hybrid ARMs

Of the \$10.4 trillion in outstanding mortgage loans in the U.S., subprime loans account for \$1.2 trillion. Of these loans, the 2/28 and 3/27 subprime hybrids represent 41 percent or \$496 billion.³⁰ The 2/28 and 3/27 ARMs have a fixed interest rate for the first two or three years, respectively, after which the rate is reset generally every six months based on an index, such as the London Inter Bank Offering Rate, or LIBOR.

These hybrid ARMs carry starter rates (between 7 and 9 percent) but reset to much higher, floating rates after the initial period. Borrowers' ability to repay was often based on the initial, lower rate and on the borrowers' pretax debt-to-income ratios of 45 percent and higher.³¹ Borrowers were led to believe they could refinance their loans prior to the reset period at similarly low initial rates. This may have been true prior to the tightening of credit standards and lack of property value appreciation during 2006. In the present market, these borrowers face interest rate and payment hikes they cannot afford and lack the home equity to refinance.

Until very recently, these ARMs were the most common types of subprime loans, accounting for three out of every five subprime loans.³² The difference between prime ARMs and subprime ARMs can be significant. For example, prime ARMs using the LIBOR index might have a margin of 2.75 percent compared to 6.25 percent for a 2/28 subprime ARM. Whereas prime ARMs generally reset no more than once a year, with a two percentage point maximum increase, the 2/28 ARM loans reset every six months with a potential increase of three percentage points the first time and one percentage point each time thereafter.³³

Piggyback Loans

In recent years, piggyback loans have emerged as alternatives to Private Mortgage Insurance (PMI). Piggyback loans are junior or secondary liens on a home granted simultaneously with the first mortgage lien and can be as much as 20 percent of the purchase price.³⁴ Until recently PMI payments could not be itemized for income tax purposes whereas interest paid on junior liens could be itemized. Further, the underwriting criteria used by PMI companies can often be more conservative than standards used by lenders for piggyback loans.

²⁹ Mortgage Bankers Association. (12/20/2007).

³⁰ Polakoff, S. M.

³¹ *Ibid.*

³² Interest.Com/

³³ *Ibid.*

³⁴ Avery, R.B., Brevoort, K.P., & Canner, G.B.

The 2006 HMDA Data report about 22 percent of first-lien home purchase loans in 2006 included a piggyback loan.

Interest Only/Option ARMs

As the name implies an Interest Only (I-O) loan is one where borrowers pay only the interest on the loan, not the principal balance during some introductory period. Figure 5 shows that I-O loans accounted for almost 23 percent of ARMs in 2006, down from a high of almost 38 percent a year earlier.

With a Pay Option ARM, borrowers have a choice each month whether to pay the interest due and some of the principal, pay only the interest and leave the principal the same, or pay less than the interest due and therefore, increase the principal balance. Options disappear after some specified time, usually three to five years, and borrowers begin making regular payments of interest and principal. However, if the borrower has been making the minimum payments required, the payment shock can be extreme at two or three times the previous minimums.

Pay Option ARMs were popular in the early 1980s when fixed-rate loans were at record-highs, but then fell out of favor when falling home prices left some borrowers owing more than the worth of their homes.³⁵

Figure 5³⁶

Underwriting Standards in Subprime Home-Purchase Loans					
Year	I-O ARM %	Pay Option%	Low- No Doc %	DTI Ratio	LTV Ratio
2001	0.0%	0.1%	28.5%	39.7%	84.0%
2002	2.3%	0.2%	38.6%	40.1%	84.4%
2003	8.6%	1.8%	42.8%	40.5%	86.1%
2004	27.2%	7.4%	45.2%	41.2%	84.9%
2005	37.8%	23.7%	50.7%	41.8%	83.2%
2006	22.8%	26.0%	50.8%	42.4%	83.4%

Source: Freddie Mac

Pay Option ARMs were originally designed for small business owners, self-employed professionals, and salespersons with fluctuating earnings. They were also often made using “stated income” rather than proof of income, on the basis borrowers were sophisticated enough to understand their own financial affairs and the loan risks.

³⁵ FDIC Outlook.

³⁶ Data for Freddie Mac obtained through International Monetary Fund.

However, as lenders and brokers were able to sell these loans as mortgage securities, thereby transferring the risks to others, Pay Option ARMs increased rapidly from less than two percent in 2003 to 26 percent in 2006. As illustrated in Figure 5, low- or no-doc loans also increased appreciably from 28.5 percent of subprime loans in 2001 to almost 51 percent in 2006. The Mortgage Asset Research Institute which investigates lending fraud reported that of those stated income loans that were checked against tax documents, 90 percent were overstated and almost 60 percent were exaggerated by more than 50 percent.³⁷ Hence, the term “liar’s loan” that is often used for stated income loans.

Borrower Characteristics of Subprime Market

Evidence from the many studies that have been conducted to determine which consumers are more apt to end up with subprime mortgage loans rather than prime loans, find that African-Americans and residents in predominantly African-American neighborhoods, those less educated, and lower income households are disproportionately represented even after accounting for risk measures. Hispanics, women and older homeowners are also more apt to be recipients of subprime mortgages.

Borrower Characteristics of Subprime Market

More apt to be:

- ❖ African American
- ❖ Residents in African-American neighborhoods
- ❖ Hispanic
- ❖ Less-educated
- ❖ Lower income
- ❖ Women
- ❖ Older homeowners

Also more apt to:

- ❖ Feel less in control of finances
- ❖ View their credit as bad
- ❖ Feel less comfortable doing mortgage business with a bank
- ❖ Spend less time searching for a loan
- ❖ Fear rejection
- ❖ Respond to a “guaranteed” loan approval

To what degree these disparate findings are the result of supply-side tactics by real estate market players or other factors such as lack of financial sophistication by some classes of borrowers is unknown. If lenders are targeting vulnerable populations for subprime loans, this could be cause for concern. If, however, subprime lenders are extending credit in areas where prime lenders are reluctant to lend because of risks associated with property values, then certain populations may be limited in their mortgage options.

African-Americans, regardless of income, experience the greatest disparities between prime and subprime markets. For example, Renuart³⁸ reports that lower-income African-Americans receive 2.4 times as many subprime mortgages as whites with comparable incomes, but that at upper-income levels, the disparity increases to three times as many subprime loans for African-Americans.

Another study³⁹ of seven major metropolitan cities that included measures of neighborhood-related credit risks as well as credit ratings, found that African-Americans and borrowers (of any race) in predominantly African-American neighborhoods were

³⁷ Mortgage Asset Research Institute, Inc.

³⁸ Renuart, E.

³⁹ Calem, P.S., Hershaff, J. E., & Wachter, S.M.

more likely to have loans that were subprime. This study also found a strong correlation between education levels of neighborhoods and evidence of subprime loans. Lower educational attainment resulted in greater levels of subprime borrowing.

HMDA data consistently find black and Hispanic borrowers are more likely and Asian borrowers less likely to be the recipients of high-priced loans – that is, loans with rates that exceed HMDA pricing reporting thresholds. Such high-priced loans are more apt to be subprime, but other factors (changes in interest rates and narrowing spreads between short- and long-term rates) can cause some loans to cross into the reporting threshold.⁴⁰

A telephone survey of over 50,000 subprime borrowers and 35,000 prime borrowers found African Americans were 3.5 times more likely to be a subprime borrower than a prime borrower.⁴¹ Income, gender and age were also factors. Lower-income borrowers were about twice as likely to have loans from the subprime market as from the prime sector. Approximately 46% of female borrowers received subprime loans compared to 37% that received prime loans. About 30% of borrowers 55 and older obtained their loans from the subprime sector compared to 17% from the prime sector.

In a series of other questions asked of these borrowers, subprime borrowers reportedly felt less in control of their finances, were more likely to view their credit as bad, and were less comfortable dealing with a bank than were prime borrowers. They also spent less time searching for a lender or a loan rate, and were more likely than prime borrowers to respond to an ad or sales call offering a “guaranteed” loan approval. Subprime borrowers were six times more likely to have been turned down for a mortgage than prime borrowers. A fear of rejection may steer some borrowers to subprime lenders offering guaranteed approvals, albeit at much higher rates.

Impact of Subprime Mortgage Dilemma

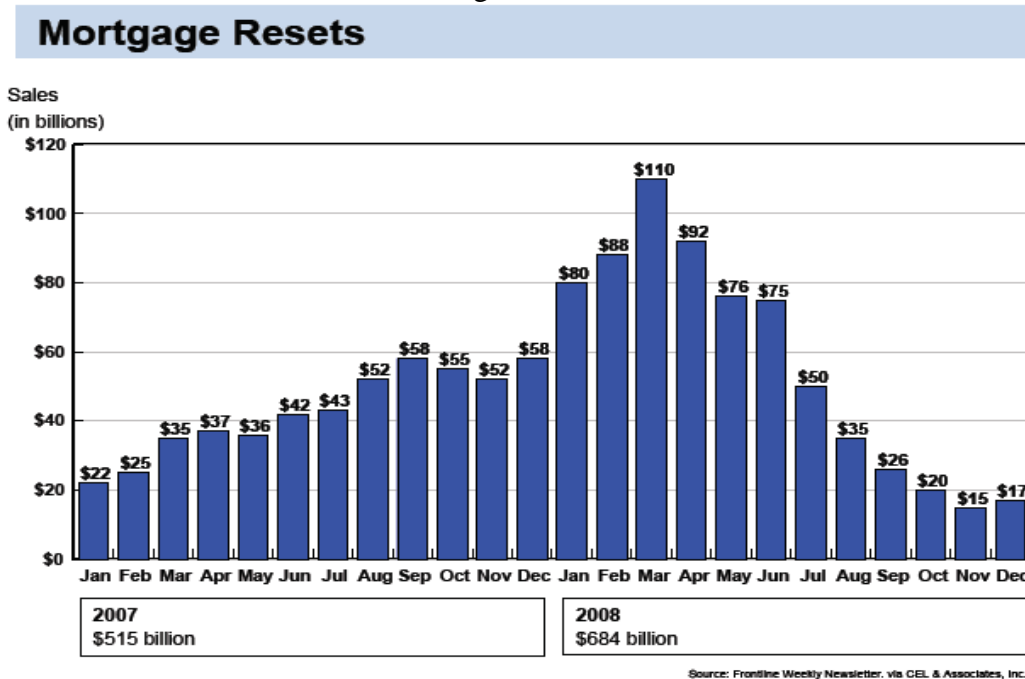
Between 2000 and 2005, home prices increased at an annual rate of 11.4 percent.⁴² Home price growth slowed in 2006 and prices fell in 2007, the first time since 1991. As long as house prices were appreciating, mortgage holders of ARMs could refinance their loans or sell when rates reset. In the current environment, payments are resetting at amounts 30 percent higher than existing payments⁴³ and many homeowners who are caught in subprime ARMs are faced with declining home values, which means they cannot refinance or sell their homes at a price to pay off the existing mortgage.

⁴⁰ Avery, R.B., Brevoort, K.P., & Canner, G.B.

⁴¹ Lax, H., Manti, M., Raca, P., & Zorn, P.

⁴² McDonald, D.J. & Thornton, D.L.

⁴³ Majority Staff of the Joint Economic Committee.

Figure 6⁴⁴

As the graph in Figure 6 illustrates, \$515 billion in loans reset in 2007 and another \$684 billion are expected to reset in 2008. That means more stress for homeowners and the housing market.

Figure 7 discloses how borrowers may be affected by such rate resets. A borrower obtaining a \$100,000, 2/28 ARM loan in 2006 at an interest rate of 8.23 percent would be making monthly payments of \$749.86 per month. When that loan resets in 2008 to a rate of 10.77 percent, the monthly payment would increase 24 percent to \$928.70 per month. The maximum payment for this loan would be \$1,209.56 at the maximum rate of 14.53 percent. That would mean a monthly increase of \$459.70, or 61 percent greater than the initial payment.

If this household decided it could no longer afford the mortgage payments, its options might be to refinance, sell, or walk away from the home. The remaining principle balance on the mortgage at the end of year two would be 98,336. If this household borrowed 100% of the value of the house when the loan was originally made and assuming a modest decline of 2.8 percent in home prices as that reported for Kansas City in 2007,⁴⁵ the house's value would have declined to \$97,200. Refinancing or selling may no longer be an option for the household. If home values continue to decline in 2008 and the household is faced with even steeper resets during the year, walking away may be the simplest option.

⁴⁴ Source: Frontline Weekly Newsletter.

⁴⁵ Kansas City Star (March 9, 2008).

Figure 7⁴⁶

Hybrid Loan Borrowers May Experience a Series of Rate Reset Shocks			
Weighted-Average Interest Rates for Two- and Three-Year Nonprime First Lien Hybrids			
Origination Year	Average Initial Rate	Maximum Rate at First Reset	Maximum Lifetime Interest Rate
2003	7.37	9.79	13.67
2004	6.85	9.41	13.16
2005	7.23	9.79	13.53
2006	8.23	10.77	14.53

Source: LoanPerformance ABS database. Data for nonprime two- and three-year hybrids included in private label securitizations. Data current through August 2007.
All averages are weighted by loan origination amount.

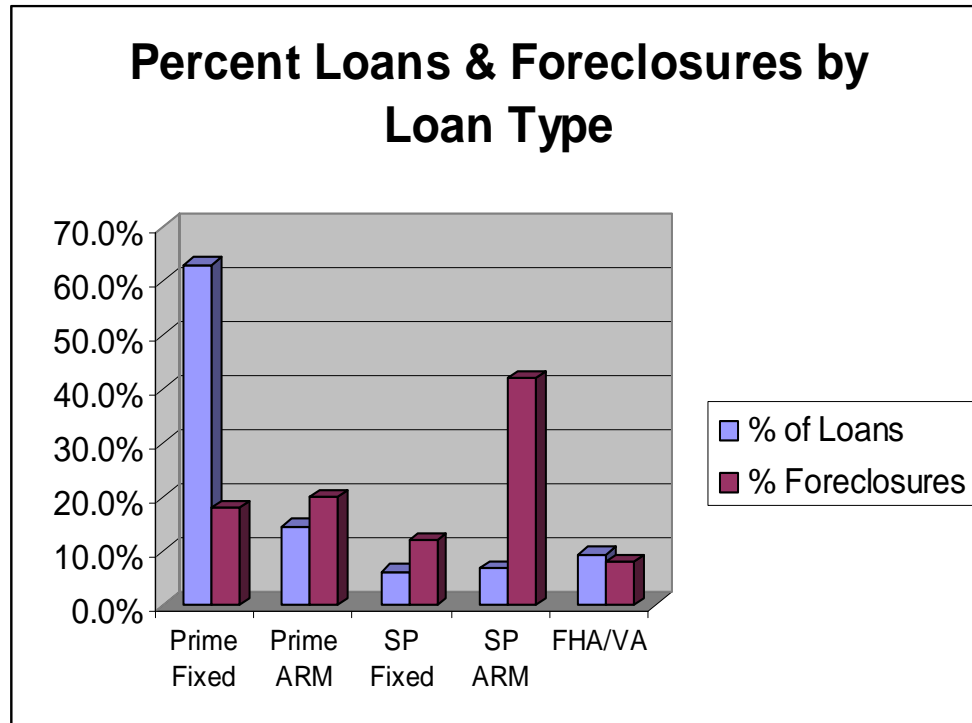
Year-end data reported by RealtyTrac indicated 2.2 million foreclosure filings by mortgage lenders in 2007, up 75 percent from 2006.⁴⁷ That represents more than one percent of all U.S. households compared to .58 percent in 2006. As more ARMs reset in 2008, foreclosure activity will increase. It should be noted that this resetting of adjustable rates is not just limited to the subprime market. According to data from the Mortgage Bankers Association (MBA) and illustrated in Figure 8, subprime ARMs represent about seven percent of outstanding loans but were responsible for 42 percent of foreclosures started in the fourth quarter of 2007. However, prime ARMs represent 14.5 percent of outstanding mortgages and accounted for 20 percent of foreclosures started during the same period.

On a positive note, recent decreases in the federal funds rate will lessen some of the payment shock for households with ARMs. The six-month LIBOR rate, the index rate used for many subprime ARMs, has come down 2.5 percentage points as of March 2008 from last September, which should help ease some of the ARM resets.⁴⁸

⁴⁶ Source: FDIC (March 2007).

⁴⁷ www.realtytrac.com

⁴⁸ Mortgage Bankers Association (March 6, 2008).

Figure 8⁴⁹

Delinquency is at its highest rate since 1986, according to the MBA report. The delinquency rate on one-to-four unit homes was 5.8 percent for the fourth quarter of 2007, up .87 percent from one year ago. The delinquency rate does not include loans in the process of foreclosure.

But more disaster looms beginning in 2009. That's when the first resets begin for Interest Only and Pay Option ARMs, those loans where borrowers have been making minimum payments, enabling negative amortization.⁵⁰

High foreclosure activity can both cause and be caused by declining home prices. As home prices decline and the homeowner's equity falls below the loan balance, borrowers are much more likely to default on their loans. As foreclosures increase, they add to the inventory of unsold homes. Creditors that wish to unload the property may be willing to sell for less than resident homeowners, thereby further decreasing home values. Estimates from the report from the Joint Economic Committee indicate \$71 billion lost in real estate wealth just from foreclosures on 1.3 million subprime loans.⁵¹ Moreover, the report estimates an additional \$32 billion in lost wealth in spillover effects to homeowners as home values decline as a result of foreclosures and vacant housing. Another \$917 million will be lost in property tax revenue to state and local governments.

⁴⁹ Source: Mortgage Bankers Association (March 6, 2008).

⁵⁰ Bair, S.C.

⁵¹ Majority Staff of the Joint Economic Committee.

House prices began their decline during the second quarter of 2006 and as of October 2007, were down about 3.2 percent from their peak.⁵² Median home prices are expected to decline an additional two percent during 2008, as forecasted by MBA.⁵³ As home prices decline, a negative wealth effect can reduce consumer spending. The chief domestic economist at Global Insight reports consumers reduce spending by about six cents for every dollar of wealth lost.⁵⁴ A five percent drop in prices would mean a decline of \$60 billion in spending.

Home sales are expected to decline about 13 percent in 2008 from 2007 and reach bottom about the third quarter of 2008.⁵⁵ As of the third quarter of 2007 there were about 2.1 million unsold homes for sale, or about 2.6 percent of the stock of owner-occupied housing.⁵⁶ This compares to a 1.7 percent vacancy rate that existed from the 1980s through the mid-2000s. The excess inventory of about 750,000 houses is at its highest level since post-World War II.⁵⁷

Along with slowed growth in economic activity, another fallout of the subprime mortgage credit crisis is the possibility of banks running out of capital. The chief economist for MBA reports banks are approaching their capital limits as they devalue assets from past bad loans and add new mortgage loans to their balance sheets.⁵⁸ As the markets for securitized assets contract, banks will have to portfolio more of their mortgage loans. Capital constraints could further restrict credit to potential homebuyers, thereby reducing demand for homes and further depressing home prices.

The impact of the subprime problem has been felt even by those with no ties to the mortgage or housing industries. Renters who have never been late on payments are finding themselves being evicted after their landlords defaulted on the mortgage loans. As credit tightens, small business owners are feeling the pinch with obtaining lines of credit even from banks that loaned to them in the past. Credit unions and other financial institutions that don't even make mortgage loans are facing increased delinquencies in other loans from their members and customers who are juggling resetting mortgage payments with other debt.

The full effects of the subprime mortgage failure will continue to be felt and measured for years to come. One of the most unfortunate consequences will be the withering of nonprime credit. Responsible nonprime lending has benefited households and neighborhoods. Many nonprofit groups with roots in low-to-moderate income communities have helped foster homeownership programs that enabled many first-time homeowners. Default rates for many of these programs remain low, but lenders and investors will remain guarded towards anything that smells of subprime for a long time.

⁵² *Ibid.*

⁵³ Mortgage Bankers Association (January 14, 2008).

⁵⁴ The New York Times.

⁵⁵ Mortgage Bankers Association (January 14, 2008).

⁵⁶ Moody's/Economy.com.

⁵⁷ *Ibid.*

⁵⁸ Mortgage Bankers Association (January 14, 2008).

References:

- Avery, R.B., Brevoort, K.P., & Canner, G.B. *The 2006 HMDA Data*, Federal Reserve Board, retrieved at www.federalreserve.gov/pubs/bulletin/2007/pdf/hmda06draft.pdf on 1/13/08.
- Bair, S.C. (January 31, 2008). *Strengthening the Economy: Foreclosure Prevention and Neighborhood Preservation*. (Statement of Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation before the Committee on Banking, Housing and Urban Affairs; U.S. Senate.) Retrieved from www.fdic.gov/news/news/speeches/chairman/spjan3108.html on 3/11/08.
- Bernanke, B.S. (May 17, 2007) Speech by Chairman Ben Bernanke at the Federal Reserve Bank of Chicago's 43rd Annual Conference on Bank Structure and Competition, Chicago, Illinois. Retrieved from www.federalreserve.gov/newsevents/speech/bernanke20070517a.htm. on 1/17/08.
- Calem, P.S., Hershaff, J. E., & Wachter, S.M. (2004). Neighborhood Patterns of Subprime Lending: Evidence from Disparate Cities. *Housing Policy Debate*, 15(3), 603-622.
- Chomsisengphet, S. & Pennington-Cross, A. The Evolution of the Subprime Mortgage Market. *Federal Reserve Bank of St. Louis Review*, Jan/Feb 2006.
- FDIC (March 2007). *The Case for Loan Modification*. Retrieved from www.fdic.gov/bank/analytical/quarterly/2007_vo11?3/2007?Quarterly_VollNo3.html on 3/15/08.
- FDIC Outlook. (Summer 2006). *Breaking New Ground in U.S. Mortgage Lending*. Retrieved at www.fdic.gov/bank/analytical/regional/ro20062q/na/2006_summer04.html on 3/13/08.
- Kansas City Star. (March 9, 2008). *Real Estate Realities*.
- Interest.Com. *2/28 and 3/27 Loans too Costly to Work*. Retrieved from http://mortgages.interest.com/mortgage/2/28_3/27_subprime_mortgages_adjustable_rates.html on 2/12/2008.
- International Monetary Fund. Retrieved from <http://www.imf.org/external/pubs/ft/fmu/eng/2007/charts.pdf> on 3/1/08.
- Lax, H., Manti, M., Raca, P., & Zorn, P. (2004). Subprime Lending: An Investigation of Economic Efficiency. *Housing Policy Debate*, 15(3), 533-571.
- Majority Staff of the Joint Economic Committee (October 2007). *The Subprime Lending Crisis*. (Report and Recommendations by the Majority Staff of the Joint Economic Committee.) Retrieved from <http://jec.senate.gov/Documents/Reports/10.25.07OctoberSubprimeReport.pdf> on 1/13/08.

McDonald, D.J. & Thornton, D.L. (Jan/Feb 2008). A Primer on the Mortgage Market and Mortgage Finance. *Federal Reserve Bank of St. Louis Review*.

Moody's/Economy.com. *Aftershock: Housing in the Wake of the Mortgage Meltdown*. Retrieved from www.economy.com/home/products/special-study-series/2007/december/aftershock/default.asp on 12/25/2007

Mortgage Asset Research Institute, Inc. (April 2006). *Eighth Periodic Mortgage Fraud Case Report to Mortgage Bankers Association*. Retrieved from www.mari-inc.com/pdfs/mba/MBA8thCaseRpt.pdf. on 2/18/08.

Mortgage Bankers Association. (December 6, 2007.) *Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey*. Retrieved from www.mbaa.org/NewsandMedia/PressCenter/58758.htm on 3/14/2008.

Mortgage Bankers Association (December 20, 2007). *First Half 2007 Mortgage Originations*. Retrieved from www.mortgagebankers.org/NewsandMedia/pressCenter/59020.htm on 2/18/08.

Mortgage Bankers Association (January 14, 2008). *Slow Economic Growth in 2008 Will be Coupled with Lower Levels of Mortgage Originations in 2008 and 2009*. Retrieved from www.mortgagebankers.org/NewsandMedia/PressCenter/59273.htm on 1/19/2008.

Mortgage Bankers Association. (March 6, 2008). *Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey*. Retrieved from www.mortgagebankers.org/NewsandMedia/PressCenter/60619.htm on 3/15/08.

The New York Times (October 25, 2007). *Reports Suggest Broader Losses from Mortgages*. Retrieved from www.nytimes.com/2007/10/25/business/25mortgage.html?pagewanted=print.

Polakoff, S.M. (December 6, 2007). *Accelerating Loan Modifications, Improving Foreclosure Prevention and Enhancing Enforcement*. (Statement of Scott M. Polakoff, Senior Deputy Director & chief Operating Officer, Office of Thrift Supervision before the Committee on Financial Services, U.S. House of Representatives.) Retrieved from www.ots.treas.gov/pagehtml.cfm?catNumber=33 on 3/8/08.

Renuart, E. (2004). An Overview of the Predatory Mortgage Lending Process. *Housing Policy Debate*, 15(3), 467-502

www.realtytrac.com. *U.S. Foreclosure Activity Increases 75 Percent in 2007*. Retrieved from www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3988&acct=64847 on 2/18/08.



The Subprime Mortgage Impact On Missouri Consumers:

**Subprime
Mortgage
Activity
In Missouri**

Table of Contents

Executive Summary	Page 31
Size of Subprime Market in Missouri	Page 32
Subprime Mortgage Problems in Missouri	Page 35
An Overview of HMDA Data	Page 37
HMDA Data in Missouri	Page 38
Conclusion	Page 47
References	Page 48
Appendix A – Output Regression Results	Page 49
Appendix B - Missouri County Data Map	Page 52
County Results by #	Page 53
County Results by %	Page 56

The Subprime Mortgage Impact on Missouri Consumers:

Subprime Mortgage Activity in Missouri

Executive Summary

Although Missouri's foreclosure rate as of the end of 2007 was up 91.4 percent from one year ago, Missouri has fared better than U.S. averages when it comes to subprime and overall foreclosures. Total foreclosures in Missouri stood at 1.4 percent compared to 2 percent for the U.S. and subprime foreclosures in Missouri were 6.3 percent compared to 8.7 percent. But Missouri ranks fifth in the nation in its mortgage delinquency rate. Its subprime delinquency ratio is 21.8 percent compared 18.8 percent for the U.S. and its overall delinquency ratio is 6.7 percent compared to 6.3 percent nationally. It's likely Missouri will continue to see its foreclosure rates increase.

Increased foreclosure activity has been blamed to a large extent on the sizeable increase in subprime lending in recent years, particularly hybrid ARMs with rates that are now resetting upwardly. This occurrence combined with declining home values has dramatically reduced homeowners' options when they find they cannot afford the new payments. Refinancing the loan or selling the home is often no longer possible, leaving nonpayment and default the remaining options.

Subprime lending and foreclosure activity at the county-level was conducted to determine if subprime loans have led to the increased foreclosure activity in Missouri and who is most apt to be affected. Home Mortgage Disclosure Act (HMDA) data were used to assess the characteristics of borrowers more apt to receive high-priced loans (a substitute measure for subprime loans) and types of loans more likely to be high-priced. Findings were as expected. African Americans and lower-income households were more likely to be the recipients of such loans; Asians less likely. Refinanced loans as opposed to purchase loans were also more likely to be high-priced.

However, subprime or high-priced loans, in and of themselves, were not necessarily the offending instruments that led to higher default ratios. Conditions that lead homeowners to foreclosures may be more complex than simply high-priced loans. There appears to be a relationship between household income and mortgage loan amount that puts a homeowner at risk when economic distress occurs. As the gap between loan amount and income increases, economic downturns or rising expenses may be putting homeowners into jeopardy and the result is a higher default ratio. Counties with the highest foreclosure rates had higher median incomes and a lower proportion of high-priced loans than counties with the lowest foreclosure rates.

Size of Subprime Market in Missouri

Missouri’s home ownership rate was 71 percent in 2006 compared to 69 percent nationwide.⁵⁹ The Missouri rate was down from 74 percent in 2003. Missouri ranks 13th nationwide in home ownership rate, where #1 equals the highest. Figure 1 displays Missouri’s home ownership rates by race and ethnicity.

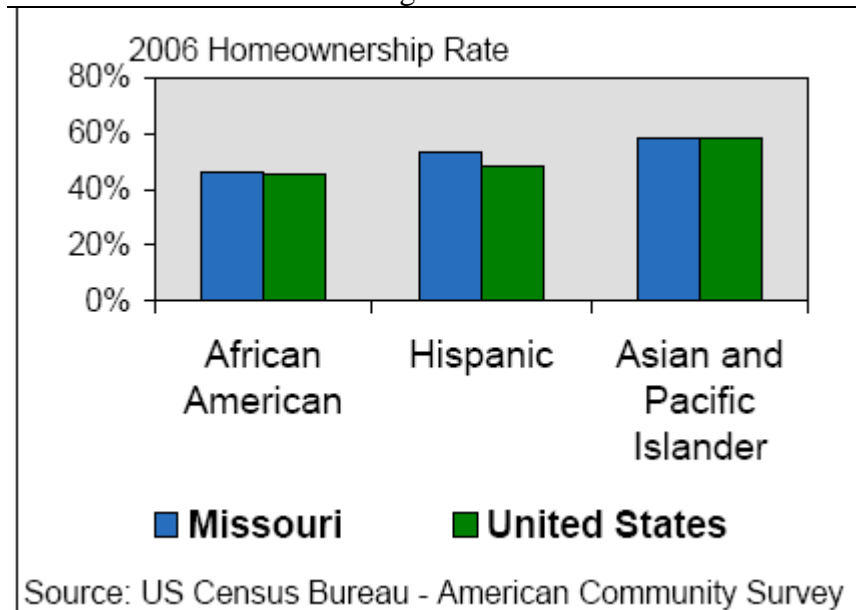
Figure 1⁶⁰

Homeownership Rates by Race and Ethnicity in Missouri	Homeownership Rate in 2006
All Households	70.7%
White, Non-hispanic	74.6%
Black	46.3%
Hispanic	53.7%
Asian or Pacific Islander	58.5%

Source: US Census Bureau - American Community Survey

Missouri’s home ownership rates by race are comparable to the U.S. as a whole. Its 54 percent home ownership rate among Hispanics is slightly better than the U.S. overall rate as illustrated in Figure 2.

Figure 2⁶¹



⁵⁹ Mortgage Bankers Assoc..

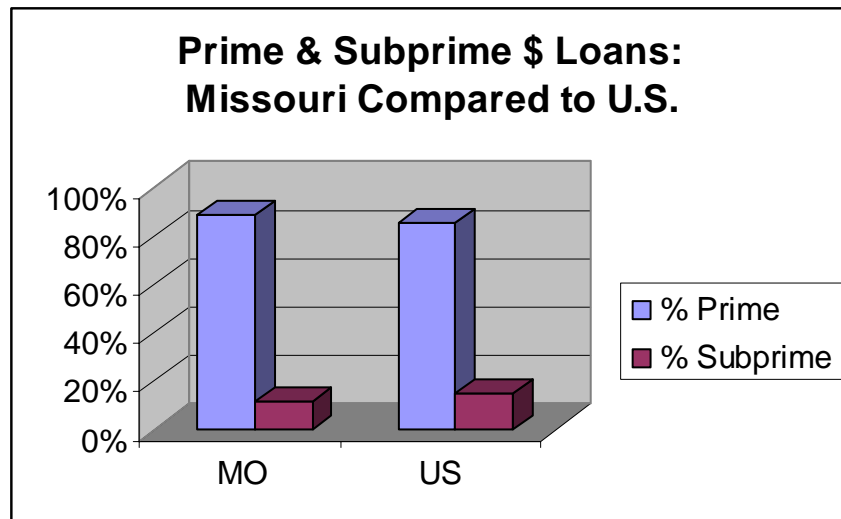
⁶⁰ Source of chart from Freddie Mac.

⁶¹ *Ibid.*

Missouri's median family income in 2006 was \$55,136 compared to \$58,801 for the U.S.⁶² Missouri ranks 31st in the nation in median family income, where #1 equals the highest median income.

Missouri's ratio of subprime loans originated in 2006 was slightly less than that originated in the U.S. as a whole as can be seen in Figure 3. The dollar volume of subprime loans originated in Missouri was \$3.8 billion, or 12 percent of total originations which totaled \$33.3 billion. Subprime loans accounted for 15 percent of total originations in the U.S. in 2006, as reported by the Mortgage Bankers Association.

Figure 3⁶³



The number of loans originated in 2006 in Missouri totaled 287,888. Of those loans, subprime loans accounted for 38,663 or 13 percent of the total. Missouri's average loan amount is \$115,576 compared to \$180,868 for the U.S.

Figure 4 compares the average loan amount by prime and subprime loans for both Missouri and the U.S. Subprime loans tend to have lower balances than prime loans. At \$99,100, Missouri's subprime average loan is only 60 percent of the U.S. average subprime loan of \$165,900. Missouri ranks eighth in the nation in housing affordability where #1 equals most affordable.⁶⁴

⁶² Freddie Mac.

⁶³ Mortgage Bankers Association.

⁶⁴ Freddie Mac.

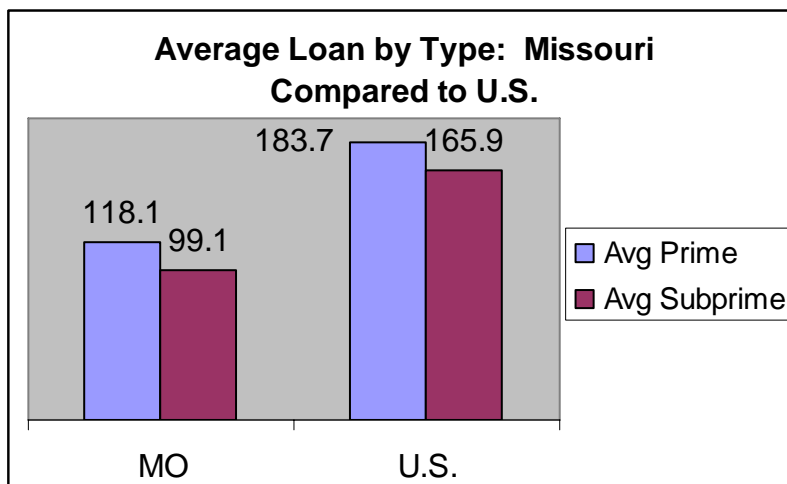
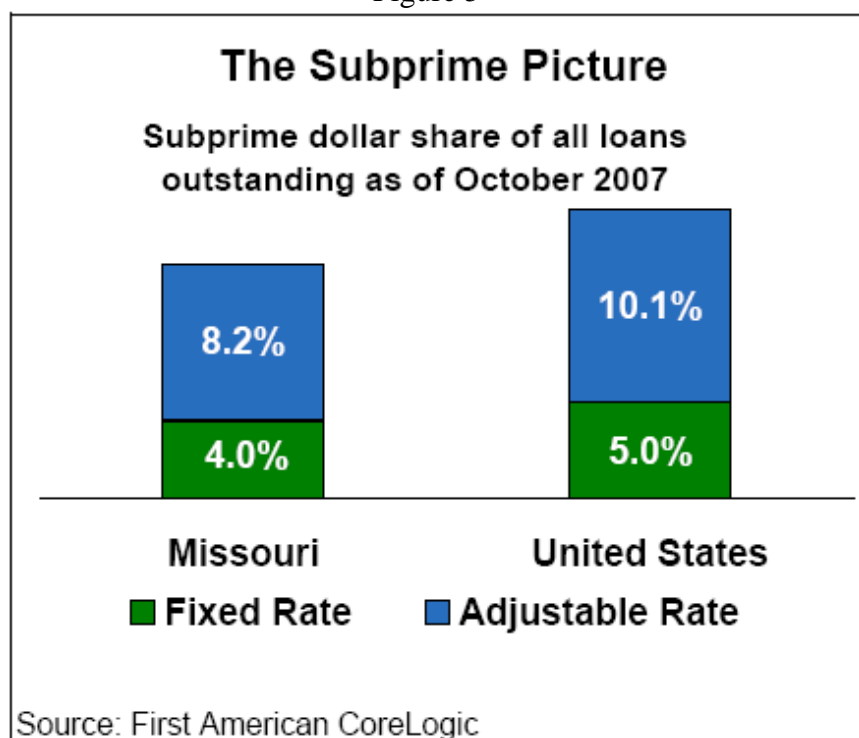
Figure 4⁶⁵

Figure 5 compares Missouri's subprime mix of fixed rate (FRM) and adjustable rate mortgages (ARMs) to the U.S. Again, Missouri compares favorably with only 8.2 percent of its subprime loans in ARMs compared to 10.1 percent nationwide. Missouri ranks 31st in the nation with its share of ARMs, where #1 equals the highest share.

Figure 5⁶⁶

However, as Figure 6 illustrates, subprime ARMs have been growing in popularity in Missouri in recent years. Whereas subprime ARMs represent 67 percent of all subprime loans in Missouri as Figure 5 would indicate, subprime ARM originations in 2006 represented 73 percent of total subprime loans, down from 77 percent in 2005.

⁶⁵ Mortgage Bankers Association.

⁶⁶ Freddie Mac.

Figure 6⁶⁷

Characteristics of Subprime Mortgage Originations by Year Missouri					
	2002	2003	2004	2005	2006
Adjustable Rate Mortgages (%)	66%	70%	76%	77%	73%
Non-Traditional Mortgages (%)	0%	2%	12%	22%	21%
Non-Owner Share (%)	11%	14%	17%	17%	19%
Share of Low-No Documentation	26%	30%	33%	38%	45%
Debt-to-Income Ratio	38%	39%	38%	39%	40%
Average Loan-to-Value	87%	89%	86%	84%	85%
Average Fico Credit Score	641	649	655	658	657

Source: First American CoreLogic. First liens only; by dollar amount. Negative amortization shares are not available.

Non-traditional mortgages would include such loans as Interest Only and Pay Option loans. This chart doesn't separate out those two types of loans. However, a previous Freddie Mac chart⁶⁸ indicated 23 percent of subprime loans originated in 2006 were Interest Only loans and 26 percent were Pay Option loans. Missouri's share of 21 percent, assuming both are included in this category, looks quite favorable.

Missouri's share of non-owner occupied dwellings at 19 percent is slightly higher than that reported in HMDA data at 16.5 percent. Missouri's 45 percent share of low- and no-documentation loans is also below the national average of 51 percent. Missouri's debt-to-income ratio is slightly lower and its loan-to-value ratio is slightly higher than the national subprime loan ratios (42 percent and 83 percent, respectively).

The average FICO credit score of 657 is very similar to that reported in a nationwide study of subprime mortgages, where the average subprime score was 655.⁶⁹

Subprime Mortgage Problems in Missouri

Missouri ranks fifth in the nation in its mortgage delinquency rate, where #1 equals most delinquent.⁷⁰ Figure 7 illustrates serious mortgage delinquencies (90 days or more) through the third quarter of 2007 and how delinquencies have risen as house prices have fallen. As house prices have declined, so has the ability of borrowers to refinance or sell their homes in the face of rising interest rate resets. The result is increasing delinquencies and foreclosures.

⁶⁷ Freddie Mac.

⁶⁸ See 2nd paper in this series, entitled: "A Primer on the Subprime Mortgage Industry," page 10, Figure 5.

⁶⁹ Demyanyk, Y. & Van Hemert, O.

⁷⁰ Freddie Mac.

Figure 7⁷¹

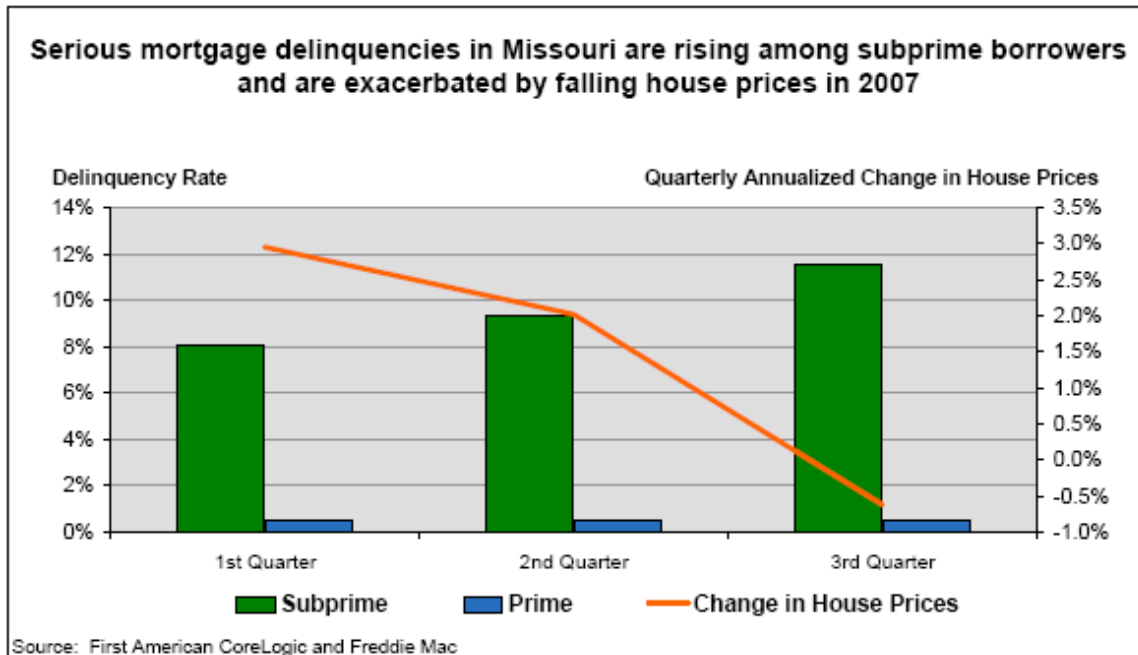


Figure 8 compares Missouri’s delinquency and foreclosure rates to those of the U.S. for the fourth quarter of 2007. Whereas Missouri fares relatively well in foreclosure rates to that of the U.S., its higher delinquency ratios, and in particular, its higher subprime delinquency ratio may be a harbinger of increased foreclosure activity still to come.

Figure 8⁷²

Mortgage Delinquencies & Foreclosures		
4th Quarter 2007	MO	U.S.
% Total Delinquent	6.7%	6.3%
% Subprime Delinquent	21.8%	18.8%
% Total Foreclosures	1.4%	2.0%
% Subprime Foreclosures	6.3%	8.7%

The foreclosure rate for the fourth quarter of 2007 for Missouri was up 29.2 percent from the previous quarter and 91.4 percent higher than fourth quarter 2006.⁷³

A 2007 study by the Center for Responsible Lending listed Missouri as one of 24 states projected to lose more than \$1 billion in local home values from the backwash of foreclosures, which affects tax revenue. The study attempts to distill the spillover effects of foreclosures which reduce housing values, resulting in lower community revenues for law enforcement, schools, social welfare and other services. From those subprime loans

⁷¹ Freddie Mac.

⁷² USA Today.

⁷³ Realtytrac.

made during 2005 and 2006, the study estimated almost 17,000 homes would be lost to foreclosure. But those foreclosures would affect another 738,000 homeowners who could see their property values decrease by an average value of \$1,460. Those declines will affect tax revenues for many communities already financially strapped.

The remainder of this paper looks at subprime lending and foreclosure activity by county using HMDA Data.

An Overview of HMDA Data

The Home Mortgage Disclosure Act (HMDA) requires most mortgage lending institutions to report certain information including applications taken and denied, loan purpose and amount, geographic location, and applicant's sex, race/ethnicity and income. In addition, lenders must report loans with annual percentage rates (APRs) that exceed certain thresholds: a 3-percentage point spread between the APR and the rate on Treasury securities of comparable maturity for first liens and a 5-percentage point spread for subordinate liens. While a higher-priced loan in and of itself is not always indicative of a subprime loan (changes in interest rates and narrowing spreads between short- and long-term rates can cause some loans, particularly ARMs, to cross into the reporting threshold), these loans are more apt to be subprime. As such, we will refer to these loans as high-priced, rather than subprime.

HMDA data information is limited in that it does not indicate whether a loan is adjustable rate or fixed rate. While the information reveals a lot about lending patterns, it does not reveal much about the causes of those patterns in that it doesn't report credit risk, credit history or loan-to-value ratios, all indicators of why some loans may be higher-priced compared to others. Nonetheless, the patterns can promote analyses of the characteristics of those more apt to receive a high-priced loan and which types of loans are more apt to be high-priced.

In 2006 nearly 8,900 lenders, roughly 80 percent of all home lenders, provided information on 27.5 million applications for home loans.⁷⁴ Of these, 40 percent were for purchases, 51 percent were refinances, and the remaining 9 percent were to make home improvements. The 2006 HMDA data reveal 28.7 percent of reported loans were high-priced in 2006, up from 26.2 percent in 2005.

Price flexibility, or risk-based pricing, has enabled more families to enjoy home ownership. However, flexibility can be accompanied by subjectivity, which raises concerns about fairness. The 2006 HMDA data report raises these concerns regarding high-priced loans:

- 1) Possible discrimination based on the race or ethnicity of the borrower;
- 2) Whether consumers receiving these loans are sufficiently informed regarding complicated loan details to make a sound decision;
- 3) Whether there is sufficient competition (particularly from prime lenders) in certain geographic markets to offer a full range of loan opportunities;
- 4) Higher default rates that create adverse effects on neighborhoods.

⁷⁴Avery, R.B., Brevoort, K. P. & Canner, G. B.

Using census tract averages along with 2006 HMDA data, the Federal Reserve researchers were able to look at lending patterns within census tracts. A larger proportion of high-priced loans are found in census tracts with lower high school graduation rates, lower credit scores, lower income households, and a larger percentage of minority households.⁷⁵ In particular, African-American and Hispanic households were more likely to receive high-priced loans than non-Hispanic whites. Asians were somewhat less likely. Borrowers with higher-priced loans had a mean income that was 20 percent lower than borrowers with lower-priced loans.

HMDA Data in Missouri

Methodology

HMDA raw data were used to analyze mortgage origination activity for 2006 in Missouri for each of its 115 counties. Search results were limited to one- to four-family residential properties, originated and secured by a first lien, which totaled 206,633 originations. Two tables in Appendix B contain detailed information for each county by number of originations and by percent of originations, respectively.

The following loan characteristics and borrower characteristics were evaluated:

- ❖ Loan type (conventional or non-conventional)
- ❖ Loan purpose (purchase, refinance, or home improvements)
- ❖ Occupancy (owner-occupied, non-owner-occupied)
- ❖ Race (African-American, Asian, Other – primary applicant only)
- ❖ Ethnicity (Hispanic, non-Hispanic – primary applicant only)
- ❖ Gender (Male, female – primary applicant only)
- ❖ Median income of borrower
- ❖ Median loan amount
- ❖ % of high-priced loans to total loans

In addition, the number of foreclosures for each county was gathered through www.realtytrac.com as of 3/5/08 and the number of housing units for each county for 2006 was compiled from quickfacts.census.gov/qfd. Foreclosure rates were calculated by dividing the number of foreclosures by the number of housing units for each county.

County Comparisons by Characteristics of Interest

Overall, 93 percent of originated loans were conventional. Only Pulaski County stood out as an exception with 63 percent of its loans as conventional. Approximately 33 percent of its loans were VA loans. Different from national data, purchases exceeded refinances in Missouri with 50 percent of originations used to purchase homes, 47 percent for refinances and 3 percent for home improvement purposes. National HMDA data show 53 percent of loans were for refinance purposes and 47 percent for purchases.

Non-owner occupied loans accounted for almost 15 percent of total loans, less than the 19 percent reported in Figure 6 for subprime loans. Missouri has a slightly higher percentage of high-priced loans at 29.8 percent compared to 28.7 percent nationally. Whereas refinanced loans accounted for 47 percent of overall loans, they represented 55 percent of high-priced loans.

⁷⁵ Avery, R.B., Brevoort, K. P. & Canner, G. B.

Counties with Highest/Lowest Percent of High-Priced Loans

Highest % Hi Loans				Lowest % Hi Loans			
County	#Hi Lns	% HiLns	Med Inc 000s	County	#Hi Lns	% HiLns	Med Inc 000s
Pemiscot	69	53.5%	42	Adair	46	13.5%	55
St. Clair	85	53.5%	39	Boone	802	16.7%	62
Dunklin	192	52.9%	46	Nodaway	88	17.4%	54
Clark	11	50.0%	41	Stone	256	18.4%	72
Reynolds	43	50.0%	41	Camden	473	19.0%	103
Scott	445	47.9%	46	Cole	410	19.1%	55
Lewis	22	47.8%	53	Howard	46	20.1%	46
Mercer	17	47.2%	53	Platte	683	20.3%	75
Mississippi	52	45.6%	41	St. Charles	3449	20.8%	71
Bates	186	45.5%	45	Christian	755	22.0%	60
Washington	241	45.3%	49	Calloway	275	22.6%	53
Madison	132	44.9%	48	Putnam	12	22.6%	72
Schuyler	13	44.8%	52	Greene	2288	22.8%	53
Gentry	46	44.7%	41	Cape Girard	402	22.9%	55
Caldwell	119	44.6%	50	Livingston	53	23.0%	49
Monroe	45	44.1%	50	Pulaski	241	23.3%	57
Iron	102	43.4%	44	Andrew	131	23.9%	55
Barton	72	43.1%	40	Sullivan	16	24.2%	43
Chariton	29	42.6%	51	Warren	346	24.3%	62
Dade	77	42.3%	40	Morgan	182	24.5%	88
St. Louis City	5932	42.1%	54	Laclede	225	24.6%	48
New Madrid	74	41.8%	47	Taney	483	24.7%	69
Pike	155	40.4%	46	Johnson	344	25.3%	61
Harrison	36	40.0%	48	Clay	2290	25.4%	62
Audrain	155	39.1%	45	Lafayette	285	25.9%	54
Average Median			46	Average Median			61

Counties with the lowest percentage of high-priced loans have a higher average median borrower income compared to the counties with the highest percent of high-priced loans: \$61,000 compared to \$46,000, respectively. (It should be noted that median income for each county is based on borrower income, not median income based on county census information.) Whereas national HMDA data information reported mean income for borrowers with higher-priced loans was about 20 percent lower than borrowers receiving lower-priced mortgages, the data for Missouri reveal a 25 percent difference in mean income.

Originations and High-Priced Loans by Ethnicity, Race and Gender

Figure 9

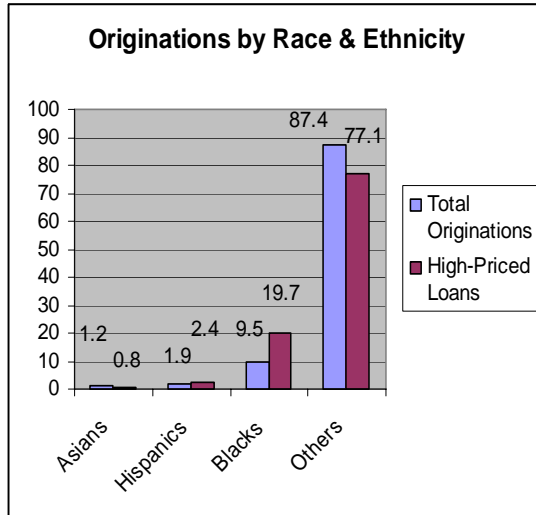
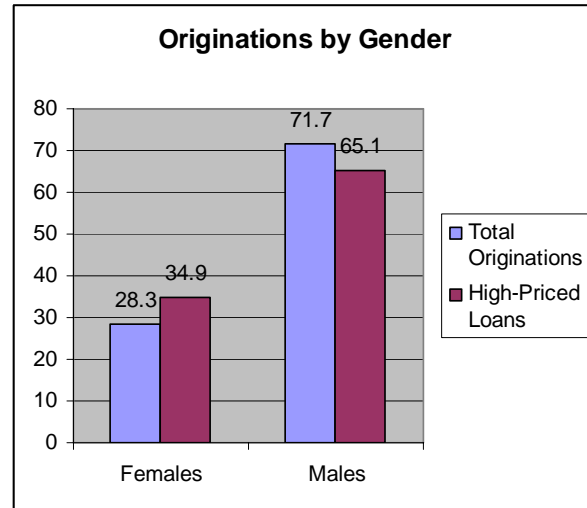


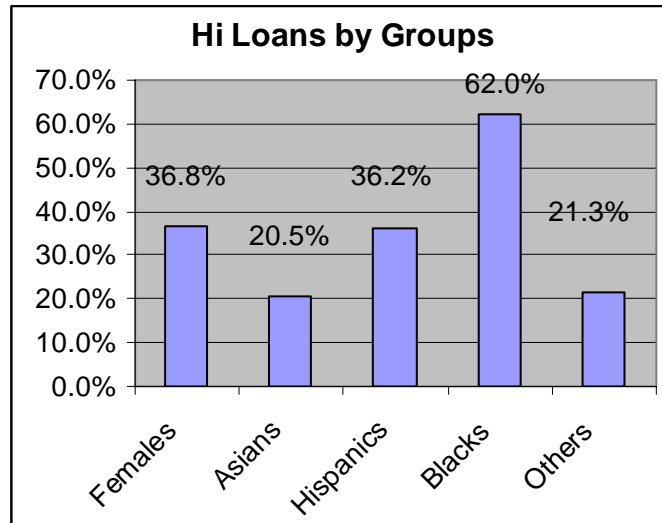
Figure 10



Figures 9 and 10 illustrate the disparity that exists by race, ethnicity and gender when it comes to overall loan originations and high-priced loan originations. Whereas Asians accounted for 1.2 percent of total first-lien, one- to four-family originations in Missouri in 2006, they were actually less likely to get high-priced loans, representing just .8 percent of this group. Hispanics and African Americans, however, were more likely to receive high-priced loans, with Hispanics representing 1.9 percent of total originations and 2.4 percent of high-priced loans and Blacks representing 9.5 percent and 19.7 percent respectively. By gender, females represented 28.3 percent of total originations, but 34.9 percent of high-priced loans.

Another way to view the disparity that exists for those groups more apt to receive high-priced loans is by looking at the percentage within each group that received high-priced loans. That is illustrated in Figure 11 below. The group entitled “Others” can serve as a baseline for comparison to the other groups. Just over 21 percent of this group representing predominantly non-Hispanic white males received high-priced loans. Similar to national data findings, Asians are slightly less likely to receive high-priced loans. Female and Hispanic borrowers were about 15 percentage points higher than the baseline and African Americans were almost three times as likely to receive high-priced loans. These results in Missouri mirror those of other studies that have looked at the race, ethnicity and gender of those consumers more apt to receive subprime versus prime mortgage loans.

Figure 11



Counties with the Highest Percent of Hispanics Receiving High-Priced Loans

According to U.S. census data, Hispanics make up about 2.6 percent of the Missouri population. As illustrated earlier, Hispanics accounted for 1.9 percent of all first-lien loans originated in 2006, but they accounted for 2.4 percent of all high-priced loans.

The table to the right shows those 15 counties with the highest percent of high-priced loans made to Hispanics (third column). The second column is the percent of total loans made to Hispanics and the fourth column represents the percent of Hispanics that received high-priced loans.

Highest % Hi Loans - Hispanics			
County	% Hisp	%Hi Hsp	% Hi Hsp/Hsp
Sullivan	25.8%	12.5%	11.8%
Barry	5.4%	6.5%	36.4%
Lawrence	5.1%	5.9%	38.9%
Jasper	3.7%	5.7%	48.5%
Saline	10.5%	5.1%	17.3%
Reynolds	3.5%	4.7%	66.7%
Jackson	3.8%	4.4%	40.5%
Pemiscot	2.3%	4.3%	100.0%
Adair	1.7%	4.3%	25.0%
Atchison	1.7%	4.3%	100.0%
Moniteau	4.1%	4.3%	28.6%
McDonald	5.3%	4.0%	33.3%
Clay	3.3%	3.9%	30.2%
Livingston	1.3%	3.8%	66.7%
Pulaski	6.0%	3.7%	14.5%

Some of the percentages may appear high because of the small number of loans made in those counties. For example, Atchison and Pemiscot counties made two and three loans to Hispanics, respectively, and all of those loans fell into the high-priced category. In contrast, Jackson County made 1,062 loans to Hispanic borrowers, 3.8 percent of its total originations. But 430 of those borrowers ended up with high-priced loans, 4.4 percent of the county’s overall high-priced loans, but representing 40 percent of Hispanic borrowers.

Counties with the Highest Percent of African Americans Receiving High-Priced Loans

Not surprisingly, those counties with the highest representation of African Americans generated the most loans to that group and also ranked among the highest with high-priced loans to them. As noted earlier, African Americans were almost three times more likely to receive high-priced loans than male, non-Hispanic white borrowers.

In the case of St. Louis City, almost 30 percent of mortgage loans originated in 2006 were to African Americans. These borrowers represented 48 percent of all borrowers receiving high-priced loans. But as a proportion of all African American originators, 68 percent received high-priced loans.

Highest % Hi Loans by Blacks			
County	% Black	%Hi Blk	%Hi BI/BI
St. Louis City	29.8%	48.3%	68.2%
St. Louis Co	20.4%	40.6%	62.9%
Jackson	16.0%	28.6%	63.4%
Scott	14.1%	25.8%	87.8%
Pemiscot	10.9%	17.4%	85.7%
New Madrid	9.0%	13.5%	62.5%
Mississippi	10.5%	13.5%	58.3%
Pulaski	9.6%	9.5%	23.2%
Cole	4.0%	9.5%	45.9%
Boone	3.9%	8.1%	34.9%
Platte	3.3%	6.9%	42.3%
St. Charles	3.3%	6.6%	41.8%
Cooper	3.0%	6.5%	61.5%
Cass	3.9%	6.1%	42.9%
Randolph	2.9%	6.0%	71.4%

Similarly, African American high-priced borrowers in St. Louis and Jackson counties represented 63 percent of all African American originations in 2006.

Counties with the Highest Percent of Females Receiving High-Priced Loans

Female borrowers represented 28.3 percent of all originations, but 34.9 percent of high-priced loans. The table to the right shows those counties with the highest percent of high-priced loans to females (third column). Again, caution should be taken when interpreting data for those counties with few loan originations. For example, Worth County made three mortgage loans to female borrowers in 2006, and all three were high-priced loans.

St. Louis City originated 5,036 loans to females, 2,487 were high-priced loans, which represented 49.4 percent of loans to females.

Highest % Hi Loans by Females			
County	% Fml	%Hi Fml	%Hi Fm/Fm
Worth	16.7%	60.0%	100.0%
Mississippi	36.0%	48.1%	61.0%
Carter	25.0%	44.4%	61.5%
St. Louis Co	34.5%	44.1%	40.5%
Scotland	40.0%	42.9%	30.0%
St. Louis City	35.7%	41.9%	49.4%
Knox	53.3%	40.0%	25.0%
Jackson	32.4%	37.3%	40.9%
Clark	22.7%	36.4%	80.0%
Randolph	28.9%	35.9%	42.6%
Boone	27.1%	35.2%	21.7%
Vernon	27.9%	35.1%	38.2%
Barton	23.4%	34.7%	64.1%
Platte	28.2%	34.4%	24.7%
Livingston	24.8%	34.0%	31.6%

Counties with the Highest and Lowest Median Loan Amounts

The tables below represent those counties with the highest and lowest median loan amounts. The third column in each table is median income.

Highest Median Loan Amounts			Lowest Median Loan Amounts		
County	Med \$ Ln	Med Inc	County	Med \$ Ln	Med Inc
St. Charles	158	71	Gentry	55	41
Platte	150	75	Mercer	57	53
Camden	144	103	Chariton	59	51
Cass	137	66	St. Clair	59	39
Warren	137	62	Worth	59	53
Lincoln	136	60	Atchison	60	50
Jefferson	135	60	Dunklin	61	46
Morgan	132	88	Linn	61	43
Pulaski	132	57	Hickory	62	48
Clay	131	62	Knox	62	46
St. Louis Co	126	61	Scotland	62	58
Stone	125	72	Shelby	62	39
Boone	123	62	Clark	63	41
Christian	122	60	Grundy	63	46
Franklin	119	58	Mississippi	64	41
Median Avg	134	68	Median Avg	61	46

It's not surprising that median incomes for the 15 counties with the highest loan amounts are greater than the median incomes for the lowest 15. However, it is noteworthy that the average median loan amount for the top 15 counties is over twice the amount of the lower 15 counties, but income for the top 15 is only one half greater than that for the lower 15. In other words, those with higher loan amounts are spending a greater proportion of their paychecks on housing expenses. Another way to see the disparity is to look at the ratio of median loan amount to median income. For the highest 15 counties, the ratio is 1.97 percent. For the lowest 15 counties, the ratio is 1.33 percent.

Counties with Highest/Lowest Foreclosure Rates

The tables below include those 15 counties with the highest foreclosure rates and those 15 counties with the lowest foreclosure rates. There are some notable differences between them. The foreclosure rate for all of Missouri was 1.3 percent as of the date of analysis. The 15 counties with the highest foreclosure rates have an average rate of 2.11 percent compared to .01 percent for the lower 15 counties. (Eight of these counties had no homes in foreclosure at the time the data were acquired.)

Those counties with the highest foreclosure rates had a smaller proportion of high-priced loans as compared to the counties with the lowest foreclosure rates (26.5 percent versus 36.8 percent). Their average median incomes were one-third greater than the lowest 15

counties (\$63,000 versus \$47,000) and their average median loan amounts were 57 percent greater than the lowest counties (\$118,000 versus \$75,000). The average population for the highest 15 counties was also much greater than the lowest 15 counties (219,000 versus 17,000).

Highest Foreclosure Rates					
County	% Fcls	% HiLns	Med Inc	Med Ln \$	Population
Camden	3.92%	19.0%	103	144	40,283
Cooper	2.85%	28.7%	51	87	17,441
Clay	2.55%	25.4%	62	131	206,957
St. Louis City	2.39%	42.1%	54	109	347,181
Jackson	2.29%	35.4%	58	109	664,078
Jasper	2.13%	31.6%	47	79	112,505
Morgan	2.08%	24.5%	88	132	20,716
Pulaski	2.01%	23.3%	57	132	44,022
Boone	1.96%	16.7%	62	123	146,048
Douglas	1.94%	26.0%	45	70	13,658
St. Charles	1.63%	20.8%	71	158	338,719
Platte	1.49%	20.3%	75	150	83,061
Jefferson	1.48%	27.5%	60	135	216,469
St. Louis Co	1.46%	31.6%	61	126	1,000,510
Laclede	1.44%	24.6%	48	92	35,091
Average	2.11%	26.5%	63	118	219,116

Lowest Foreclosure Rates					
County	% Fclsr	% HiLns	Med Inc	Med Ln \$	Population
Andrew	0.00%	23.9%	55	97	17,177
DeKalb	0.00%	34.6%	51	96	12,309
Grundy	0.00%	34.7%	46	63	10,239
Harrison	0.00%	40.0%	48	67	8,898
Maries	0.00%	36.8%	46	69	12,109
Mississippi	0.00%	45.6%	41	64	13,770
Nodaway	0.00%	17.4%	54	86	21,660
Pemiscot	0.00%	53.5%	42	65	19,163
Stoddard	0.01%	38.1%	45	77	29,754
Dunklin	0.01%	52.9%	46	61	32,277
Livingston	0.01%	23.0%	49	78	14,291
Ripley	0.02%	33.3%	42	69	13,937
Bollinger	0.02%	31.4%	43	78	12,323
New Madrid	0.02%	41.8%	47	67	18,314
Washington	0.03%	45.3%	49	87	24,182
Average	0.01%	36.8%	47	75	17,360

What does this mean? As noted earlier when looking at counties with the highest and lowest median loan amounts compared to incomes, the tables above would indicate foreclosure rates tend to be greater when households are spending more of their income dollars on housing. Foreclosures are not necessarily affecting low income households as much as those households with higher mortgages than their incomes can support. In fact,

nine of the fifteen counties with the highest foreclosure rates were also among the 15 counties with the highest median loan amounts.

The larger metropolitan counties like Jackson, St. Louis County, and St. Louis City have large pockets of minority communities, those more apt to be the recipients of subprime loans. These counties also have a higher percentage of high-priced loans than their counterparts. The county unit may be too large a unit to discover some of the nuances involved in the subprime and foreclosure patterns. The fact that the counties with the lowest foreclosure rates also have a higher percent of high-priced loans may reflect a situation where mortgage options are more limited in rural counties.

The Special Cases of Camden and Morgan Counties

Camden and Morgan counties contain large portions of Lake Ozark properties and as such, are different from other Missouri counties. They rank first and second, respectively, in the state for highest median incomes and third and eighth for highest median loan amounts. They also rank first and second with the highest percent of non-owner occupied housing at 56 and 50 percent, respectively. Next in line is Taney County at 34 percent. Many of the homes in these two counties are vacation or recreation homes, not primary residences. Finally, they rank first and seventh in highest foreclosure rates but are among the counties with the lowest percent of high-priced loans.

Thus, while foreclosure rates have increased as a result of the rapid increase in subprime loans and the decline in property values, subprime loans are not the only culprit. People have been purchasing more home (or homes as the case may be) than their incomes can reasonably accommodate, perhaps on speculation that property values would continue to increase. Now as prices have declined and as rates reset upwardly or other economic blips come along, many homeowners in these two counties are experiencing serious delinquency and foreclosure activity.

Further Analysis of High-Priced Loans and Foreclosures

Multiple regression analysis was used to captivate those factors and borrower characteristics that were more likely to put a borrower into a high-priced loan or into foreclosure. Appendix A contains the results of the analyses. Camden and Morgan counties were excluded from the analyses because of their unique characteristics that could affect results.

The primary purpose of regression analysis is to investigate the strength and importance of the relationship between a dependent variable and several independent variables. The intent is to determine if any of the independent variables adds statistical significance to the prediction equation of the dependent variable. For the analyses included here the independent variables are high-priced loans and foreclosures.

Predicting those Factors/Characteristics Most Apt to Lead to a High-Priced Loan

Refinanced loans are more apt to be high-priced than purchase loans. The percent of high-priced loans increases as the percent of refinanced loans increases.

The percent of high-priced loans also increases as the percent of mortgages to African Americans within counties increases. The percent of high-priced loans decreases as the percent of loans to Asians within a county increases and as median income increases. The percent of Hispanic and female borrowers had no significant effects on the percent of high-priced loans.

These results confirm what was observed in the county comparisons reported earlier; that is African Americans and lower income households are more apt to be the recipients of higher-priced loans. Asians are less likely to receive high-priced loans. Whereas in the comparisons, Hispanics and females were also more likely to receive high-priced loans, these differences are not statistically significant.

Those borrowers who refinance their loans are more apt to get a high-priced loan than those purchasing a home. This finding may be indicative of those borrowers receiving hybrid ARMs who refinanced when rates reset upwardly.

Predicting those Factors/Characteristics More Apt to Lead to Foreclosure

The results as reported in Appendix A are somewhat surprising. The rate of foreclosure increases as the percent of Asian and African American borrowers within counties increases and as the percent of high-priced loans decreases. The earlier finding that Asians were less like to receive high-priced loans makes this finding a surprise. However, what may be affecting this result is that those counties that include metropolitan areas with higher Asian populations, such as St. Louis, Jackson and Clay counties and St. Louis city, are regions that also have the highest foreclosure rates.

One would also expect there to be a positive relationship between rate of foreclosure and percent of high-priced loans, rather than the reverse. We know with certainty that foreclosure rates have increased over the past year with the increase in subprime lending, and in particular, as those loans have reset upwardly and house prices have declined.

What is happening in Missouri appears to be more complicated. Recall from the comparisons of those counties with the highest and lowest foreclosure rates that those counties with the lowest rates had a higher percent of high-priced loans than their counterparts. Counties with the highest foreclosure rates also had on average, higher median incomes. In the regression analysis, income was insignificant, partly a result of excluding Camden and Morgan counties.

Foreclosure rates in Missouri appear to be more affected by households having too much mortgage than incomes can support and by metropolitan communities with a greater proportion of minority populations who are more apt to be the recipients of subprime loans. Rural counties, even with a greater percent of high-priced loans, appear to be less affected. Rural counties may have suffered less from recent declines in housing values, enabling distressed homeowners to sell or refinance their homes when necessary, rather than accept foreclosure. The percent of refinanced loans was not a significant indicator of foreclosure rates and was not included in the regression equation.

It's also important to bear in mind that Missouri's foreclosure rate was lower than the national rate, but that Missouri's delinquency rate, and in particular, its subprime delinquency rate was higher than the U.S. rate. So the foreclosure landscape could be changing in the near future.

Conclusion

We used HMDA county data to look at the relationship between high-priced (subprime) loans and foreclosures. The findings were not necessarily what had been expected, particularly in the analysis of foreclosure rates, and may be a result of the county unit being too large to identify some of the complexities that can lead to foreclosure.

The results for those more likely to be the recipients of high-priced loans were as expected. African Americans and lower income households were more likely to receive such loans and Asians were less likely. Whereas Hispanics and females were also more likely to acquire such loans, the results were not statistically significant. Refinanced loans were also more likely to be high-priced.

Foreclosure rates increased as the percent of Asian and African American borrowers within a county increased and as the percent of high-priced loans decreased. Asians and African Americans are more apt to reside in large metropolitan communities, which also are among the counties with the highest foreclosure rates. Whereas African Americans are more likely to receive high-priced loans, it is not surprising that this group would experience foreclosure distress. However, Asians are less likely to obtain such loans. Thus, the finding may only be that of geographical association, an indicator that a smaller study unit such as the census tract would provide clearer detail.

The more obscure result is the inverse relationship between foreclosure rates and high-priced loans. Those counties with the lowest foreclosure rates tended to have a greater proportion of high-priced loans than counties with the highest foreclosure rates. Their median incomes also tended to be lower than high foreclosure counties. Income was not a significant predictor of foreclosure rates. However, as we argued earlier, a sizeable discrepancy exists between mortgage loan amount and income within counties experiencing high foreclosure rates and those with the lowest foreclosure rates. That is, average median incomes within those counties with lowest foreclosure rates was about three-quarters that of counties with highest rates, but the average median loan amounts for counties with lowest rates was less than two-thirds that of the highest foreclosure counties. Further research should be conducted to study this relationship and how it affects foreclosure rates.

One of the principal causes to increased foreclosure rates has been the decline of housing values, limiting homeowners' ability to refinance or sell their homes as rates increase or other economic distresses occur. To the extent that rural counties have experienced less price constriction may be an indicator as to the reason they have been better able to avoid foreclosures even in the face of economic challenges. This would be another area of interest for future research.

References:

Avery, R.B., Brevoort, K.P., & Canner, G.B. *The 2006 HMDA Data*, Federal Reserve Board, retrieved at www.federalreserve.gov/pubs/bulletin/2007/pdf/hmda06draft.pdf on 1/13/08.

Center for Responsible Lending. (November 2007). *Subprime Spillover: Foreclosures Cost Neighbors \$223 billion; 44.5 Million Homes Lose \$5,000 on Average*. Retrieved from www.responsiblelending.org/press/releases/subprime-foreclosure-spillover.html on 11/04/07.

Demyanyk, Y. & Van Hemert, O. (February 2008). *Understanding the Subprime Mortgage Crisis*. Retrieved from <http://ssrn.com/abstract=1020396> on 3/19/08.

Freddie Mac. Making Home Possible in Missouri. Retrieved from www.freddiemac.com/corporate/about/pdf/Missouir.pdf on 3/18/08.

Mortgage Bankers Association. Homeownership Rates. Retrieved from www.mortgagebankers.org/files/StateUpdates/2007/StateGARFactSheetMO.pdf on 3/18/08.

Realtytrac. Retrieved from www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3988&acct=64847 on 2/17/08.

USAToday. Retrieved from www.usatoday.com/money/economy/housing/2008-03-06-foreclosure-chart-q407_N.htm on 3/20/08.

US Census Data retrieved from quickfacts.census.gov/qfd on 3/8/08.

Appendix A

Output regression results for the Dependent Variable: percent high-priced loans.

Regression – Variables entered: percent refinanced loans; percent female, percent Hispanic, percent Asian, percent Black borrowers; median income

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	% Refis, % Fml, % Hisp, % Asian, MED_INC, % Black ^a	.	Enter

a. All requested variables entered.

b. Dependent Variable: % HiLns

“R Square” is a measure of how well the model (independent variables) fits the data, or explains the variation in the dependent variable. Almost 50 percent of the variation in Percent of High Loans is explained by the model equation – a good fit. “Adjusted R Square” indicates how well the model would fit another set of data or the population as a whole.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704 ^a	.495	.467	6.205E-02

a. Predictors: (Constant), % Refis, % Fml, % Hisp, % Asian, MED_INC, % Black

The “F” statistic is a measure of the significance of the model equation. Here, the linear equation is highly significant ($p < .000$).

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.401	6	6.680E-02	17.350	.000 ^a
	Residual	.408	106	3.850E-03		
	Total	.809	112			

a. Predictors: (Constant), % Refis, % Fml, % Hisp, % Asian, MED_INC, % Black

b. Dependent Variable: % HiLns

The “Unstandardized Coefficients” or “B” are measures of the slope of the line predicting the dependent variable: Percent High Loans. Of more importance to this model is the significance of the independent variables – those statistics shown in the farthest right-hand column under “Sig.”

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.388	.082		4.714	.000
	% Hisp	-.296	.222	-.095	-1.331	.186
	% Asian	-2.794	1.238	-.190	-2.257	.026
	% Black	.546	.166	.270	3.296	.001
	% Fml	3.104E-02	.123	.019	.253	.801
	MED_INC	-4.76E-03	.001	-.424	-5.297	.000
	% Refis	.387	.100	.297	3.860	.000

a. Dependent Variable: % HiLns

Median income, percent refis, and percent Black are most significant ($p < .001$ or less). Percent Black and percent refis are positively related to the dependent variable, meaning percent high loans increases as percent Black and percent refis increase. Median income is negatively related to percent high loans, so that as median increases, percent high loans decreases, or vice versa. Percent Asian is statistically significant ($p < .05$) and also negatively related to percent high loans. Percent Hispanic and percent female are not statistically significant.

Output regression results for the Dependent Variable: foreclosure rate.

Regression – variables entered: percent high-priced loans; percent female, percent Hispanic, percent Asian, and percent Black borrowers; median income.

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	% HiLns, % Fml, % Hisp, % Asian, % Black, MED_INC ^a		Enter

a. All requested variables entered.

b. Dependent Variable: FCLS_STR

“R Square” is almost 40 percent, still a good fit.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 ^a	.395	.360	*****

a. Predictors: (Constant), % HiLns, % Fml, % Hisp, % Asian, % Black, MED_INC

The “F” statistic is significant ($p < .000$), indicating a good model fit.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.913E-03	6	3.188E-04	11.329	.000 ^a
	Residual	2.927E-03	104	2.814E-05		
	Total	4.840E-03	110			

a. Predictors: (Constant), % HiLns, % Fml, % Hisp, % Asian, % Black, MED_INC

b. Dependent Variable: FCLS_STR

Significant coefficients are percent Asian, percent Black, and percent high loans ($p < .01$). Percent Asian and Black are positively related to foreclosure rate and percent high loans is negatively related, meaning foreclosure rates increase as percent high loans decreases.

Coefficients^a

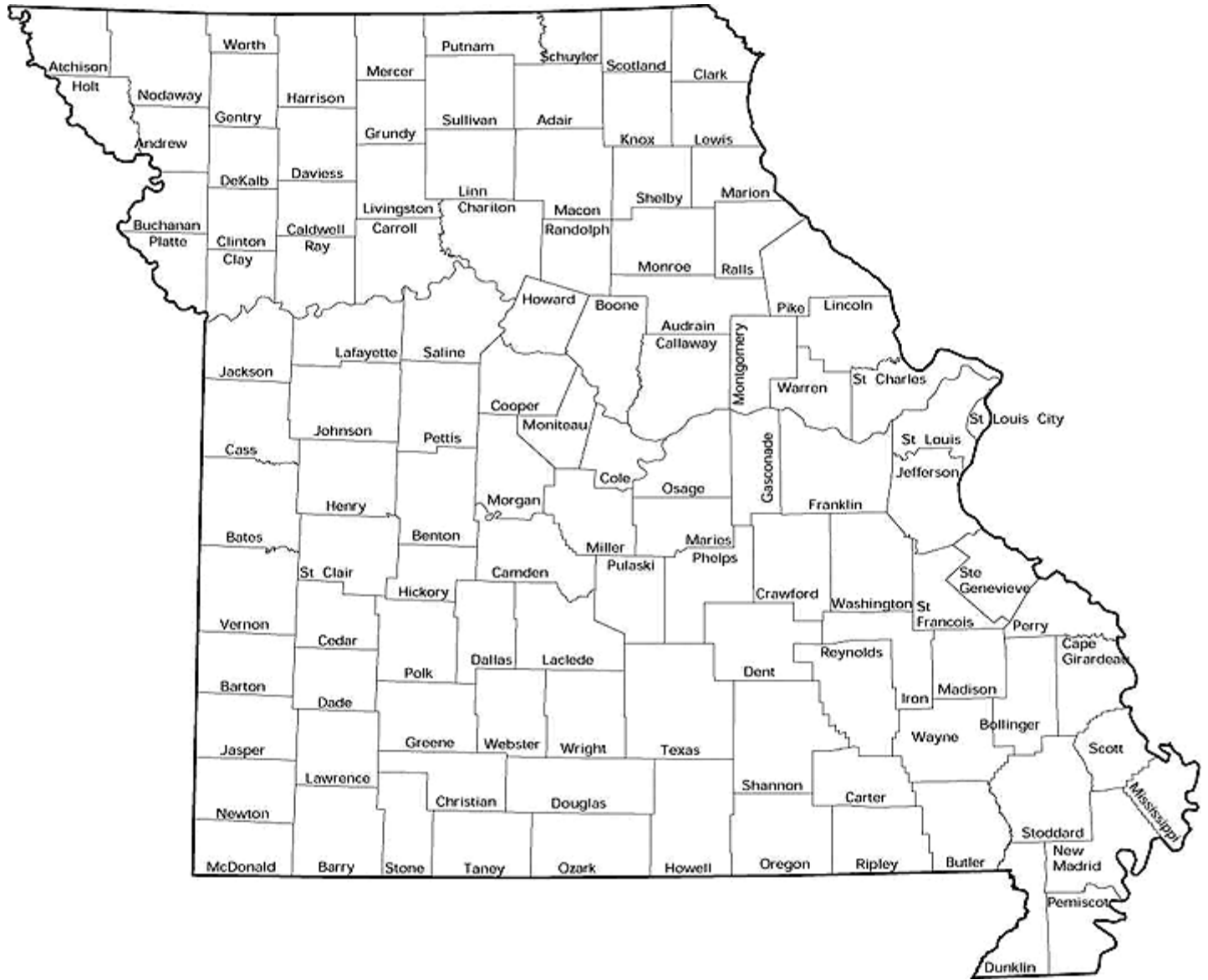
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.049E-03	.007		.605	.547
	% Hisp	1.519E-02	.019	.063	.800	.426
	% Asian	.298	.108	.261	2.746	.007
	% Black	4.179E-02	.015	.266	2.808	.006
	% Fml	6.918E-03	.011	.055	.651	.516
	MED_INC	8.140E-05	.000	.094	.943	.348
	% HiLns	-2.10E-02	.008	-.271	-2.687	.008

a. Dependent Variable: FCLS_STR

Appendix B

MCDC/OSEDA Missouri County Data Map

Click on a county to get master menu of available applications for that county.



County	# Orig	# Conv	# Purch	# Imp	# Refis	# Own Occup	# Not OO	Med Ln\$	Avg Ln\$	# Hisp	# Asn	# Blk	# Fml	Med Inc	Avg Inc	# HiLns	#Hi Pur	#Hi Refi	#Hi Hisp	#Hi Asn	#Hi Blk	#Hi Fml	#Hi OO	#Hi NO	#Hi<M I	# Frcls
Adair	341	291	220	10	111	259	81	73	90	8	3	4	78	55	72	46	18	26	2	0	1	14	42	4	32	4
Andrew	547	515	243	27	277	473	74	97	114	5	1	4	102	55	72	131	45	78	2	0	0	29	122	9	80	0
Atchison	120	107	62	13	45	108	12	60	66	2	0	0	23	50	59	46	24	16	2	0	0	12	43	3	25	2
Audrain	396	350	244	18	133	358	35	71	83	4	2	12	115	45	55	155	71	70	1	0	8	50	135	19	82	16
Barry	817	770	393	34	390	635	180	88	106	44	0	8	192	52	78	246	100	134	16	2	0	73	208	37	149	48
Barton	167	160	72	11	84	160	7	66	90	1	0	2	39	40	57	72	28	39	1	0	2	25	71	1	43	16
Bates	409	379	179	21	209	357	52	73	93	8	0	3	102	45	56	186	74	103	4	0	3	51	167	19	96	27
Benton	489	463	237	22	230	359	127	76	90	5	2	4	124	52	72	162	74	76	3	1	4	47	140	21	96	11
Bollinger	121	118	50	7	64	110	10	78	86	1	0	0	23	43	53	38	13	22	1	0	0	7	36	1	23	1
Boone	4799	4494	3006	80	1713	3979	814	123	143	69	104	186	1300	62	85	802	379	397	14	6	65	282	686	116	430	1319
Buchanan	2860	2693	1455	117	1288	2371	480	82	97	49	29	66	779	49	62	936	408	493	17	4	33	295	846	3	540	260
Butler	643	571	279	40	324	585	57	78	94	4	16	7	151	47	61	224	70	131	0	7	6	64	203	20	126	61
Caldwell	267	251	106	7	154	238	29	77	92	2	0	0	56	50	56	119	46	67	1	0	0	29	105	14	63	2
Calloway	1216	1141	690	45	480	1022	192	100	114	19	7	27	304	53	65	275	144	119	6	0	11	78	234	40	142	150
Camden	2488	2453	1507	44	937	1065	1386	144	186	20	10	13	440	103	155	473	245	217	6	0	5	113	301	160	301	1390
Cape Girard	1759	1681	964	34	764	1570	188	106	127	15	11	50	427	55	67	402	188	203	2	2	23	127	354	47	223	57
Carroll	112	96	48	6	58	104	7	66	77	1	0	0	23	45	50	36	14	22	1	0	0	5	34	2	23	4
Carter	52	50	25	1	26	44	8	84	83	0	0	0	13	52	72	18	5	12	0	0	0	8	16	2	7	3
Cass	3997	3575	2080	89	1828	3600	391	137	156	72	25	154	1004	66	81	1075	450	592	25	7	66	330	955	118	584	412
Cedar	288	274	116	23	149	245	41	70	88	6	1	1	57	46	59	111	40	55	2	1	0	29	97	12	66	8
Chariton	68	63	34	3	31	57	11	59	70	1	0	0	14	51	87	29	9	18	0	0	0	9	26	3	19	2
Christian	3427	3123	1990	46	1391	3013	412	122	146	49	17	20	800	60	80	755	413	319	14	5	6	212	640	115	364	316
Clark	22	22	8	0	14	21	1	63	80	0	0	0	5	41	45	11	3	8	0	0	0	4	11	0	9	6
Clay	9024	8288	5158	160	3706	8192	820	131	146	295	134	265	2540	62	77	2290	964	1256	89	19	100	729	2022	263	1148	1850
Clinton	805	733	396	44	365	697	98	109	117	9	1	10	171	57	67	253	96	136	4	1	6	76	232	19	141	99
Cole	2143	2062	1319	85	739	1850	291	101	119	24	23	85	538	55	67	410	194	198	4	4	39	136	385	25	223	304
Cooper	432	372	233	12	187	378	53	87	99	1	3	13	112	51	58	124	44	74	0	1	8	37	103	21	70	202
Crawford	636	610	257	42	337	539	97	90	105	5	2	2	131	48	64	224	86	117	0	1	2	54	197	27	130	15
Dade	182	173	84	1	97	155	26	68	81	4	1	0	34	40	54	77	33	43	1	0	0	17	68	9	42	17
Dallas	412	391	196	26	190	336	76	80	94	0	2	0	93	48	61	147	65	65	0	0	0	35	134	13	91	25
Daviess	162	153	72	12	77	125	33	105	127	0	0	0	20	59	84	49	19	26	0	0	0	5	42	7	26	2
DeKalb	246	228	118	21	107	220	18	96	104	3	1	3	45	51	57	85	35	41	2	1	0	19	79	4	45	0
Dent	210	186	98	12	100	189	20	81	95	4	0	1	50	44	54	68	28	36	1	0	0	17	66	2	40	98
Douglas	154	149	65	10	78	117	22	70	91	2	1	0	26	45	49	40	16	21	1	0	0	10	25	9	22	119
Dunklin	363	345	140	26	197	324	38	61	71	2	0	12	92	46	50	192	70	109	2	0	7	62	176	15	114	2
Franklin	3802	3636	1608	163	2031	3394	404	119	146	36	7	26	820	58	76	1010	338	608	15	5	16	271	951	55	572	367
Gasconade	480	464	211	44	225	398	81	87	103	4	2	0	88	51	64	147	54	81	1	0	0	26	134	13	79	7
Gentry	103	95	51	8	44	92	6	55	69	1	0	0	21	41	49	46	19	22	0	0	0	12	42	4	27	1
Greene	10041	8927	5776	148	4117	8286	1730	100	126	140	4	96	2728	53	77	2288	1191	1038	50	20	31	740	1937	349	1203	1438
Grundy	144	137	74	11	59	127	17	63	76	1	1	0	38	46	55	50	23	25	0	0	0	15	45	5	25	0
Harrison	90	78	37	2	51	86	3	67	91	3	1	0	18	48	74	36	10	24	1	0	0	8	33	3	21	0
Henry	727	645	342	50	335	466	97	71	82	10	0	7	176	52	66	269	97	147	7	0	2	74	148	17	144	10
Hickory	178	170	70	16	92	112	30	62	72	2	1	0	37	48	59	64	18	36	1	0	0	14	30	3	33	5
Holt	106	101	52	6	48	81	25	71	85	1	0	0	19	56	70	31	8	20	0	0	0	6	27	4	17	1

County	# Orig	# Conv	# Purch	# Imp	# Refis	# Own Occup	# Not OO	Med Ln\$	Avg Ln\$	# Hisp	# Asn	# Blk	# Fml	Med Inc	Avg Inc	# HiLns	#Hi Pur	#Hi Refi	#Hi Hisp	#Hi Asn	#Hi Blk	#Hi Fml	#Hi OO	#Hi NO	#Hi<M l	# Frcls
Howard	229	212	99	31	99	204	25	73	88	1	0	7	44	46	57	46	19	25	0	0	1	10	39	7	25	45
Howell	636	601	336	23	277	579	52	80	93	7	3	1	188	42	53	226	119	96	3	2	1	74	211	13	130	37
Iron	235	221	103	27	105	210	24	69	80	2	0	1	48	44	58	102	40	51	2	0	0	23	91	11	57	3
Jackson	27792	25658	14267	814	12711	22476	5224	109	129	1062	364	4449	8993	58	80	9852	4236	5246	430	126	2821	3675	7781	2055	5289	7144
Jasper	3654	3344	2108	123	1423	3035	616	79	93	136	28	24	885	47	63	1156	562	540	66	8	15	337	1051	104	657	1043
Jefferson	9627	8624	4002	251	5014	8635	629	135	145	97	70	52	2344	60	69	2646	847	1699	37	19	28	758	2489	157	1354	1258
Johnson	1362	1114	719	58	585	1146	211	117	124	21	9	31	286	61	77	344	122	198	8	0	8	86	297	43	186	22
Knox	15	13	6	0	9	13	2	62	76	0	0	0	8	46	49	5	2	3	0	0	0	2	5	0	2	1
Laclede	915	807	440	37	438	792	222	92	107	13	2	4	186	48	58	225	86	118	2	0	3	58	208	11	120	221
Lafayette	1099	995	488	55	556	923	172	92	105	10	4	18	242	54	65	285	120	148	2	1	7	80	258	26	151	38
Lawrence	1061	983	530	31	500	955	103	81	94	54	3	0	253	44	55	354	176	161	21	0	0	92	335	19	205	102
Lewis	46	42	20	2	24	43	1	75	86	0	0	0	8	53	53	22	8	14	0	0	0	5	19	0	11	9
Lincoln	2123	1993	1056	53	1014	1965	158	136	146	23	4	28	462	60	70	637	256	360	11	2	13	155	597	40	326	55
Linn	137	129	61	6	70	128	9	61	79	0	1	1	33	43	55	46	20	24	0	0	0	12	41	5	26	19
Livingston	230	194	137	12	81	211	19	78	90	3	1	2	57	49	64	53	24	24	2	0	0	18	51	2	32	1
McDonald	493	471	182	45	266	426	67	81	95	26	3	2	100	46	59	176	56	98	7	1	1	45	157	19	95	12
Macon	234	220	132	9	92	205	27	71	92	3	0	2	35	49	67	75	34	37	2	0	0	17	71	4	52	35
Madison	294	278	113	24	157	242	40	69	87	6	0	0	62	48	54	132	50	67	1	0	0	37	126	5	77	0
Maries	209	207	86	23	100	177	32	85	100	1	0	1	40	46	56	77	25	41	0	0	0	20	73	4	52	4
Marion	469	449	243	23	203	402	63	68	84	6	1	9	120	47	59	154	64	83	2	0	8	48	134	18	85	16
Mercer	36	35	19	3	14	31	3	57	81	1	0	0	7	53	53	17	8	6	0	0	0	3	16	1	9	5
Miller	554	548	265	18	271	399	153	110	131	6	0	2	125	57	82	179	79	90	2	0	0	58	155	24	113	168
Mississippi	114	112	49	3	62	110	4	64	72	1	0	12	41	41	48	52	20	32	0	0	7	25	51	1	30	0
Moniteau	339	299	172	19	148	294	45	76	92	14	1	0	64	46	50	93	36	48	4	0	0	23	84	9	45	37
Monroe	102	95	51	5	46	84	18	71	85	0	0	3	26	50	61	45	21	19	0	0	2	15	41	4	26	6
Montgomery	367	353	138	30	199	324	43	83	95	0	2	2	70	48	59	110	36	62	0	0	1	27	105	5	63	10
Morgan	742	729	406	23	313	361	371	132	152	10	2	3	141	88	123	182	73	103	5	2	2	50	145	36	126	301
New Madrid	177	161	70	10	97	165	12	67	78	2	0	16	43	47	53	74	22	48	1	0	10	24	69	5	39	2
Newton	1591	1514	780	98	713	1421	169	88	112	33	19	5	360	51	69	473	173	250	14	2	2	126	444	29	271	43
Nodaway	507	489	278	33	196	429	76	86	102	3	3	6	99	54	67	88	38	45	0	1	0	19	77	11	58	0
Oregon	84	79	34	8	42	78	5	66	92	0	0	0	24	36	51	31	9	19	0	0	0	10	26	4	17	8
Osage	361	354	144	52	165	323	38	87	104	0	0	0	64	51	76	103	25	50	0	0	0	25	101	2	40	6
Ozark	87	87	34	3	50	69	12	83	105	1	0	1	15	51	64	25	6	19	0	0	0	6	23	2	13	21
Pemiscot	129	120	45	9	75	121	8	65	77	3	0	14	31	42	51	69	19	44	3	0	12	20	66	3	38	0
Perry	420	396	199	17	204	380	38	85	98	6	2	0	87	47	57	144	56	80	1	1	0	42	139	5	79	23
Pettis	905	786	457	41	401	697	203	79	92	29	2	15	190	49	66	253	89	142	7	0	8	68	202	50	121	7
Phelps	734	639	391	24	319	674	60	104	114	10	20	3	161	54	64	194	76	107	1	2	1	52	174	20	110	220
Pike	384	378	183	19	182	318	64	76	92	2	0	8	78	46	57	155	60	88	1	0	4	37	145	10	89	6
Platte	3369	3152	1858	78	1433	3066	298	150	179	96	56	111	950	75	99	683	266	392	22	7	47	235	605	78	384	533
Polk	981	938	491	36	454	841	139	101	113	10	2	1	232	60	65	300	156	125	2	1	0	85	272	28	203	105
Pulaski	1036	649	640	49	349	934	99	132	132	62	10	99	242	57	69	241	96	114	9	2	23	59	215	23	124	328
Putnam	53	50	29	1	23	37	16	85	145	0	0	0	8	72	105	12	7	5	0	0	0	1	12	0	12	1
Ralls	167	160	81	6	80	140	24	85	104	1	0	1	34	53	59	56	20	35	0	0	0	15	51	4	41	3
Randolph	488	456	256	21	211	417	71	65	81	8	0	14	141	44	52	167	72	85	6	0	10	60	144	23	93	16

County	# Orig	# Conv	# Purch	# Imp	# Refis	# Own Occup	# Not OO	Med Ln\$	Avg Ln\$	# Hisp	# Asn	# Blk	# Fml	Med Inc	Avg Inc	# HiLns	#Hi Pur	#Hi Refi	#Hi Hisp	#Hi Asn	#Hi Blk	#Hi Fml	#Hi OO	#Hi NO	#Hi<M l	# Frcls
Ray	782	742	309	37	436	713	68	102	113	6	5	8	178	57	64	300	110	175	3	1	7	75	276	53	156	19
Reynolds	86	85	28	4	54	74	12	73	79	3	0	0	17	41	48	43	11	28	2	0	0	11	38	5	26	7
Ripley	174	155	71	13	90	155	18	69	81	1	0	0	44	42	49	58	15	37	1	0	0	17	53	5	26	1
St. Charles	16550	15577	8361	273	7916	15418	1114	158	175	259	285	548	4314	71	84	3449	1162	2190	76	36	229	1040	3206	239	1815	2138
St. Clair	159	153	58	12	89	105	12	59	72	1	0	0	45	39	48	85	30	46	0	0	0	28	46	2	48	2
St. Genevieve	438	416	197	18	223	399	37	105	114	3	0	3	84	52	61	136	35	92	1	0	0	33	135	1	85	11
St. Francois	1909	1786	921	125	863	1652	245	87	101	16	4	4	441	50	57	734	306	372	8	1	2	184	657	73	373	19
St. Louis Co	42042	40129	19036	1136	21870	36871	5150	126	166	537	915	8591	14484	61	88	13300	4887	7937	216	132	5405	5871	11555	1737	8173	6342
Saline	497	452	228	24	245	418	77	70	82	52	0	10	125	42	52	177	55	111	9	0	9	56	147	29	88	5
Schuyler	29	26	10	3	16	27	2	79	79	0	0	0	8	52	53	13	0	12	0	0	0	4	13	0	8	2
Scotland	25	23	15	1	9	23	2	62	91	0	0	0	10	58	93	7	3	3	0	0	0	3	5	1	0	3
Scott	929	882	512	34	383	714	215	68	80	11	12	131	240	46	53	445	280	146	4	9	115	134	275	170	243	20
St. Louis City	14103	13465	6856	525	6722	10574	3513	109	127	289	246	4199	5036	54	73	5932	2469	3214	123	69	2865	2487	4243	1674	3154	4284
Shannon	65	64	21	1	43	61	3	73	81	0	0	0	17	44	49	24	5	18	0	0	0	7	24	0	10	7
Shelby	40	38	15	3	22	37	3	62	73	0	0	0	5	39	49	13	4	7	0	0	0	1	12	1	6	7
Stoddard	415	349	190	16	209	397	18	77	85	2	1	1	100	45	49	158	50	96	0	0	1	49	153	5	89	1
Stone	1392	1353	763	42	587	919	465	125	145	13	8	1	281	72	114	256	132	117	0	1	1	68	199	56	135	165
Sullivan	66	60	39	1	26	61	5	72	87	17	0	0	13	43	51	16	4	11	2	0	0	5	13	3	7	14
Taney	1954	1882	1191	34	729	1280	660	115	137	45	28	14	494	69	105	483	272	201	14	4	7	150	355	122	256	191
Texas	400	345	167	13	220	313	44	85	99	6	2	1	89	47	53	113	41	66	3	1	0	35	91	5	60	147
Vernon	366	350	182	9	175	333	33	72	82	5	1	0	102	46	58	111	42	67	1	1	0	39	108	3	61	NA
Warren	1425	1308	705	34	686	1215	208	137	153	16	2	13	276	62	80	346	131	204	3	0	4	97	325	21	194	67
Washington	532	511	237	50	244	475	55	87	102	8	0	1	105	49	56	241	99	115	5	0	1	60	224	17	125	3
Wayne	121	115	60	3	58	101	20	73	96	0	0	0	29	47	59	42	14	27	0	0	0	11	39	3	29	3
Webster	1276	1207	623	34	619	1104	169	93	106	13	3	3	280	48	63	415	185	210	5	1	2	118	373	40	230	131
Worth	18	18	8	1	9	12	2	59	85	0	0	0	3	53	62	5	2	3	0	0	0	3	4	1	3	NA
Wright	408	395	154	43	211	295	61	69	88	1	0	0	82	44	55	131	46	65	0	0	0	31	100	19	82	82
Totals	206633	192603	103520	6339	96407	175123	30456	80	102	4005	2536	19557	58497	49	65	61640	24988	33951	1449	520	12127	21510	52413	8838	34294	34262

County	# Orig	% Conv	% Purch	% Imp	% Refis	%Own Occ	%Not OO	% Hisp	% Asian	% Black	% Fml	Med Inc	#Hi Lns	% HiLns	%Refi	%Hi Hsp	%Hi Asn	%Hi Blk	%Hi Fml	%Hi NOO	%Hi Mi	%Hi< HU	%FrcI by HU
Adair	341	85.3%	64.5%	2.9%	32.6%	76.0%	23.8%	2.3%	0.9%	1.2%	22.9%	55	46	13.5%	56.5%	4.3%	0.0%	2.2%	30.4%	8.7%	69.6%	0.04%	
Andrew	547	94.1%	44.4%	4.9%	50.6%	86.5%	13.5%	0.9%	0.2%	0.7%	18.6%	55	131	23.9%	59.5%	1.5%	0.0%	0.0%	22.1%	6.9%	61.1%	0.00%	
Atchison	120	89.2%	51.7%	10.8%	37.5%	90.0%	10.0%	1.7%	0.0%	0.0%	19.2%	50	46	38.3%	34.8%	4.3%	0.0%	0.0%	26.1%	6.5%	54.3%	0.06%	
Audrain	396	88.4%	61.6%	4.5%	33.6%	90.4%	8.8%	1.0%	0.5%	3.0%	29.0%	45	155	39.1%	45.2%	0.6%	0.0%	5.2%	32.3%	12.3%	52.9%	0.14%	
Barry	817	94.2%	48.1%	4.2%	47.7%	77.7%	22.0%	5.4%	0.0%	1.0%	23.5%	52	246	30.1%	54.5%	6.5%	0.8%	0.0%	29.7%	15.0%	60.6%	0.29%	
Barton	167	95.8%	43.1%	6.6%	50.3%	95.8%	4.2%	0.6%	0.0%	1.2%	23.4%	40	72	43.1%	54.2%	1.4%	0.0%	2.8%	34.7%	1.4%	59.7%	0.28%	
Bates	409	92.7%	43.8%	5.1%	51.1%	87.3%	12.7%	2.0%	0.0%	0.7%	24.9%	45	186	45.5%	55.4%	2.2%	0.0%	1.6%	27.4%	10.2%	51.6%	0.36%	
Benton	489	94.7%	48.5%	4.5%	47.0%	73.4%	26.0%	1.0%	0.4%	0.8%	25.4%	52	162	33.1%	46.9%	1.9%	0.6%	2.5%	29.0%	13.0%	59.3%	0.08%	
Bollinger	121	97.5%	41.3%	5.8%	52.9%	90.9%	8.3%	0.8%	0.0%	0.0%	19.0%	43	38	31.4%	57.9%	2.6%	0.0%	0.0%	18.4%	2.6%	60.5%	0.02%	
Boone	4799	93.6%	62.6%	1.7%	35.7%	82.9%	17.0%	1.4%	2.2%	3.9%	27.1%	62	802	16.7%	49.5%	1.7%	0.7%	8.1%	35.2%	14.5%	53.6%	1.96%	
Buchanan	2860	94.2%	50.9%	4.1%	45.0%	82.9%	16.8%	1.7%	1.0%	2.3%	27.2%	49	936	32.7%	52.7%	1.8%	0.4%	3.5%	31.5%	0.3%	57.7%	0.69%	
Butler	643	88.8%	43.4%	6.2%	50.4%	91.0%	8.9%	0.6%	2.5%	1.1%	23.5%	47	224	34.8%	58.5%	0.0%	3.1%	2.7%	28.6%	8.9%	56.3%	0.32%	
Caldwell	267	94.0%	39.7%	2.6%	57.7%	89.1%	10.9%	0.7%	0.0%	0.0%	21.0%	50	119	44.6%	56.3%	0.8%	0.0%	0.0%	24.4%	11.8%	52.9%	0.04%	
Calloway	1216	93.8%	56.7%	3.7%	39.5%	84.0%	15.8%	1.6%	0.6%	2.2%	25.0%	53	275	22.6%	43.3%	2.2%	0.0%	4.0%	28.4%	14.5%	51.6%	0.87%	
Camden	2488	98.6%	60.6%	1.8%	37.7%	42.8%	55.7%	0.8%	0.4%	0.5%	17.7%	103	473	19.0%	45.9%	1.3%	0.0%	1.1%	23.9%	33.8%	63.6%	3.92%	
Cape Girard	1759	95.6%	54.8%	1.9%	43.4%	89.3%	10.7%	0.9%	0.6%	2.8%	24.3%	55	402	22.9%	50.5%	0.5%	0.5%	5.7%	31.6%	11.7%	55.5%	0.18%	
Carroll	112	85.7%	42.9%	5.4%	51.8%	92.9%	6.3%	0.9%	0.0%	0.0%	20.5%	45	36	32.1%	61.1%	2.8%	0.0%	0.0%	13.9%	5.6%	63.9%	0.08%	
Carter	52	96.2%	48.1%	1.9%	50.0%	84.6%	15.4%	0.0%	0.0%	0.0%	25.0%	52	18	34.6%	66.7%	0.0%	0.0%	0.0%	44.4%	11.1%	38.9%	0.10%	
Cass	3997	89.4%	52.0%	2.2%	45.7%	90.1%	9.8%	1.8%	0.6%	3.9%	25.1%	66	1075	26.9%	55.1%	2.3%	0.7%	6.1%	30.7%	11.0%	54.3%	1.09%	
Cedar	288	95.1%	40.3%	8.0%	51.7%	85.1%	14.2%	2.1%	0.3%	0.3%	19.8%	46	111	38.5%	49.5%	1.8%	0.9%	0.0%	26.1%	10.8%	59.5%	0.11%	
Chariton	68	92.6%	50.0%	4.4%	45.6%	83.8%	16.2%	1.5%	0.0%	0.0%	20.6%	51	29	42.6%	62.1%	0.0%	0.0%	0.0%	31.0%	10.3%	65.5%	0.05%	
Christian	3427	91.1%	58.1%	1.3%	40.6%	87.9%	12.0%	1.4%	0.5%	0.6%	23.3%	60	755	22.0%	42.3%	1.9%	0.7%	0.8%	28.1%	15.2%	48.2%	1.12%	
Clark	22	100.0%	36.4%	0.0%	63.6%	95.5%	4.5%	0.0%	0.0%	0.0%	22.7%	41	11	50.0%	72.7%	0.0%	0.0%	0.0%	36.4%	0.0%	81.8%	0.17%	
Clay	9024	91.8%	57.2%	1.8%	41.1%	90.8%	9.1%	3.3%	1.5%	2.9%	28.1%	62	2290	25.4%	54.8%	3.9%	0.8%	4.4%	31.8%	11.5%	50.1%	2.55%	
Clinton	805	91.1%	49.2%	5.5%	45.3%	86.6%	12.2%	1.1%	0.1%	1.2%	21.2%	57	253	31.4%	53.8%	1.6%	0.4%	2.4%	30.0%	7.5%	55.7%	1.12%	
Cole	2143	96.2%	61.5%	4.0%	34.5%	86.3%	13.6%	1.1%	1.1%	4.0%	25.1%	55	410	19.1%	48.3%	1.0%	1.0%	9.5%	33.2%	6.1%	54.4%	0.96%	
Cooper	432	86.1%	53.9%	2.8%	43.3%	87.5%	12.3%	0.2%	0.7%	3.0%	25.9%	51	124	28.7%	59.7%	0.0%	0.8%	6.5%	29.8%	16.9%	56.5%	2.85%	
Crawford	636	95.9%	40.4%	6.6%	53.0%	84.7%	15.3%	0.8%	0.3%	0.3%	20.6%	48	224	35.2%	52.2%	0.0%	0.4%	0.9%	24.1%	12.1%	58.0%	0.13%	
Dade	182	95.1%	46.2%	0.5%	53.3%	85.2%	14.3%	2.2%	0.5%	0.0%	18.7%	40	77	42.3%	55.8%	1.3%	0.0%	0.0%	22.1%	11.7%	54.5%	0.44%	
Dallas	412	94.9%	47.6%	6.3%	46.1%	81.6%	18.4%	0.0%	0.5%	0.0%	22.6%	48	147	35.7%	44.2%	0.0%	0.0%	0.0%	23.8%	8.8%	61.9%	0.34%	
Daviess	162	94.4%	44.4%	7.4%	47.5%	77.2%	20.4%	0.0%	0.0%	0.0%	12.3%	59	49	30.2%	53.1%	0.0%	0.0%	0.0%	10.2%	14.3%	53.1%	0.05%	
DeKalb	246	92.7%	48.0%	8.5%	43.5%	89.4%	7.3%	1.2%	0.4%	1.2%	18.3%	51	85	34.6%	48.2%	2.4%	1.2%	0.0%	22.4%	4.7%	52.9%	0.00%	
Dent	210	88.6%	46.7%	5.7%	47.6%	90.0%	9.5%	1.9%	0.0%	0.5%	23.8%	44	68	32.4%	52.9%	1.5%	0.0%	0.0%	25.0%	2.9%	58.8%	1.36%	
Douglas	154	96.8%	42.2%	6.5%	50.6%	76.0%	14.3%	1.3%	0.6%	0.0%	16.9%	45	40	26.0%	52.5%	2.5%	0.0%	0.0%	25.0%	22.5%	55.0%	1.94%	
Dunklin	363	95.0%	38.6%	7.2%	54.3%	89.3%	10.5%	0.6%	0.0%	3.3%	25.3%	46	192	52.9%	56.8%	1.0%	0.0%	3.6%	32.3%	7.8%	59.4%	0.01%	
Franklin	3802	95.6%	42.3%	4.3%	53.4%	89.3%	10.6%	0.9%	0.2%	0.7%	21.6%	58	1010	26.6%	60.2%	1.5%	0.5%	1.6%	26.8%	5.4%	56.6%	0.87%	
Gasconade	480	96.7%	44.0%	9.2%	46.9%	82.9%	16.9%	0.8%	0.4%	0.0%	18.3%	51	147	30.6%	55.1%	0.7%	0.0%	0.0%	17.7%	8.8%	53.7%	0.09%	
Gentry	103	92.2%	49.5%	7.8%	42.7%	89.3%	5.8%	1.0%	0.0%	0.0%	20.4%	41	46	44.7%	47.8%	0.0%	0.0%	0.0%	26.1%	8.7%	58.7%	0.03%	
Greene	10041	88.9%	57.5%	1.5%	41.0%	82.5%	17.2%	1.4%	0.0%	1.0%	27.2%	53	2288	22.8%	45.4%	2.2%	0.9%	1.4%	32.3%	15.3%	52.6%	1.21%	
Grundy	144	95.1%	51.4%	7.6%	41.0%	88.2%	11.8%	0.7%	0.7%	0.0%	26.4%	46	50	34.7%	50.0%	0.0%	0.0%	0.0%	30.0%	10.0%	50.0%	0.00%	
Harrison	90	86.7%	41.1%	2.2%	56.7%	95.6%	3.3%	3.3%	1.1%	0.0%	20.0%	48	36	40.0%	66.7%	2.8%	0.0%	0.0%	22.2%	8.3%	58.3%	0.00%	
Henry	727	88.7%	47.0%	6.9%	46.1%	64.1%	13.3%	1.4%	0.0%	1.0%	24.2%	52	269	37.0%	54.6%	2.6%	0.0%	0.7%	27.5%	6.3%	53.5%	0.11%	
Hickory	178	95.5%	39.3%	9.0%	51.7%	62.9%	16.9%	1.1%	0.6%	0.0%	20.8%	48	64	36.0%	56.3%	1.6%	0.0%	0.0%	21.9%	4.7%	51.6%	0.08%	
Holt	106	95.3%	49.1%	5.7%	45.3%	76.4%	23.6%	0.9%	0.0%	0.0%	17.9%	56	31	29.2%	64.5%	0.0%	0.0%	0.0%	19.4%	12.9%	54.8%	0.03%	

County	# Orig	% Conv	% Purch	% Imp	% Refis	%Own Occ	%Not OO	% Hisp	% Asian	% Black	% Fml	Med Inc	#Hi Lns	% HiLns	%Hi Refi	%Hi Hsp	%Hi Asn	%Hi Blk	%Hi Fml	%Hi NOO	%Hi<Mi	
Howard	229	92.6%	43.2%	13.5%	43.2%	89.1%	10.9%	0.4%	0.0%	3.1%	19.2%	46	46	20.1%	54.3%	0.0%	0.0%	2.2%	21.7%	15.2%	54.3%	1.01%
Howell	636	94.5%	52.8%	3.6%	43.6%	91.0%	8.2%	1.1%	0.5%	0.2%	29.6%	42	226	35.5%	42.5%	1.3%	0.9%	0.4%	32.7%	5.8%	57.5%	0.21%
Iron	235	94.0%	43.8%	11.5%	44.7%	89.4%	10.2%	0.9%	0.0%	0.4%	20.4%	44	102	43.4%	50.0%	2.0%	0.0%	0.0%	22.5%	10.8%	55.9%	0.06%
Jackson	27792	92.3%	51.3%	2.9%	45.7%	80.9%	18.8%	3.8%	1.3%	16.0%	32.4%	58	9852	35.4%	53.2%	4.4%	1.3%	28.6%	37.3%	20.9%	53.7%	2.29%
Jasper	3654	91.5%	57.7%	3.4%	38.9%	83.1%	16.9%	3.7%	0.8%	0.7%	24.2%	47	1156	31.6%	46.7%	5.7%	0.7%	1.3%	29.2%	9.0%	56.8%	2.13%
Jefferson	9627	89.6%	41.6%	2.6%	52.1%	89.7%	6.5%	1.0%	0.7%	0.5%	24.3%	60	2646	27.5%	64.2%	1.4%	0.7%	1.1%	28.6%	5.9%	51.2%	1.48%
Johnson	1362	81.8%	52.8%	4.3%	43.0%	84.1%	15.5%	1.5%	0.7%	2.3%	21.0%	61	344	25.3%	57.6%	2.3%	0.0%	2.3%	25.0%	12.5%	54.1%	0.11%
Knox	15	86.7%	40.0%	0.0%	60.0%	86.7%	13.3%	0.0%	0.0%	0.0%	53.3%	46	5	33.3%	60.0%	0.0%	0.0%	0.0%	40.0%	0.0%	40.0%	0.04%
Laclede	915	88.2%	48.1%	4.0%	47.9%	86.6%	24.3%	1.4%	0.2%	0.4%	20.3%	48	225	24.6%	52.4%	0.9%	0.0%	1.3%	25.8%	4.9%	53.3%	1.44%
Lafayette	1099	90.5%	44.4%	5.0%	50.6%	84.0%	15.7%	0.9%	0.4%	1.6%	22.0%	54	285	25.9%	51.9%	0.7%	0.4%	2.5%	28.1%	9.1%	53.0%	0.26%
Lawrence	1061	92.6%	50.0%	2.9%	47.1%	90.0%	9.7%	5.1%	0.3%	0.0%	23.8%	44	354	33.4%	45.5%	5.9%	0.0%	0.0%	26.0%	5.4%	57.9%	0.66%
Lewis	46	91.3%	43.5%	4.3%	52.2%	93.5%	2.2%	0.0%	0.0%	0.0%	17.4%	53	22	47.8%	63.6%	0.0%	0.0%	0.0%	22.7%	0.0%	50.0%	0.19%
Lincoln	2123	93.9%	49.7%	2.5%	47.8%	92.6%	7.4%	1.1%	0.2%	1.3%	21.8%	60	637	30.0%	56.5%	1.7%	0.3%	2.0%	24.3%	6.3%	51.2%	0.40%
Linn	137	94.2%	44.5%	4.4%	51.1%	93.4%	6.6%	0.0%	0.7%	0.7%	24.1%	43	46	33.6%	52.2%	0.0%	0.0%	0.0%	26.1%	10.9%	56.5%	0.28%
Livingston	230	84.3%	59.6%	5.2%	35.2%	91.7%	8.3%	1.3%	0.4%	0.9%	24.8%	49	53	23.0%	45.3%	3.8%	0.0%	0.0%	34.0%	3.8%	60.4%	0.01%
McDonald	493	95.5%	36.9%	9.1%	54.0%	86.4%	13.6%	5.3%	0.6%	0.4%	20.3%	46	176	35.7%	55.7%	4.0%	0.6%	0.6%	25.6%	10.8%	54.0%	0.12%
Macon	234	94.0%	56.4%	3.8%	39.3%	87.6%	11.5%	1.3%	0.0%	0.9%	15.0%	49	75	32.1%	49.3%	2.7%	0.0%	0.0%	22.7%	5.3%	69.3%	0.46%
Madison	294	94.6%	38.4%	8.2%	53.4%	82.3%	13.6%	2.0%	0.0%	0.0%	21.1%	48	132	44.9%	50.8%	0.8%	0.0%	0.0%	28.0%	3.8%	58.3%	0.00%
Maries	209	99.0%	41.1%	11.0%	47.8%	84.7%	15.3%	0.5%	0.0%	0.5%	19.1%	46	77	36.8%	53.2%	0.0%	0.0%	0.0%	26.0%	5.2%	67.5%	0.09%
Marion	469	95.7%	51.8%	4.9%	43.3%	85.7%	13.4%	1.3%	0.2%	1.9%	25.6%	47	154	32.8%	53.9%	1.3%	0.0%	5.2%	31.2%	11.7%	55.2%	0.13%
Mercer	36	97.2%	52.8%	8.3%	38.9%	86.1%	8.3%	2.8%	0.0%	0.0%	19.4%	53	17	47.2%	35.3%	0.0%	0.0%	0.0%	17.6%	5.9%	52.9%	0.23%
Miller	554	98.9%	47.8%	3.2%	48.9%	72.0%	27.6%	1.1%	0.0%	0.4%	22.6%	57	179	32.3%	50.3%	1.1%	0.0%	0.0%	32.4%	13.4%	63.1%	1.40%
Mississippi	114	98.2%	43.0%	2.6%	54.4%	96.5%	3.5%	0.9%	0.0%	10.5%	36.0%	41	52	45.6%	61.5%	0.0%	0.0%	13.5%	48.1%	1.9%	57.7%	0.00%
Moniteau	339	88.2%	50.7%	5.6%	43.7%	86.7%	13.3%	4.1%	0.3%	0.0%	18.9%	46	93	27.4%	51.6%	4.3%	0.0%	0.0%	24.7%	9.7%	48.4%	0.62%
Monroe	102	93.1%	50.0%	4.9%	45.1%	82.4%	17.6%	0.0%	0.0%	2.9%	25.5%	50	45	44.1%	42.2%	0.0%	0.0%	4.4%	33.3%	8.9%	57.8%	0.12%
Montgomery	367	96.2%	37.6%	8.2%	54.2%	88.3%	11.7%	0.0%	0.5%	0.5%	19.1%	48	110	30.0%	56.4%	0.0%	0.0%	0.9%	24.5%	4.5%	57.3%	0.16%
Morgan	742	98.2%	54.7%	3.1%	42.2%	48.7%	50.0%	1.3%	0.3%	0.4%	19.0%	88	182	24.5%	56.6%	2.7%	1.1%	1.1%	27.5%	19.8%	69.2%	2.08%
New Madrid	177	91.0%	39.5%	5.6%	54.8%	93.2%	6.8%	1.1%	0.0%	9.0%	24.3%	47	74	41.8%	64.9%	1.4%	0.0%	13.5%	32.4%	6.8%	52.7%	0.02%
Newton	1591	95.2%	49.0%	6.2%	44.8%	89.3%	10.6%	2.1%	1.2%	0.3%	22.6%	51	473	29.7%	52.9%	3.0%	0.4%	0.4%	26.6%	6.1%	57.3%	0.19%
Nodaway	507	96.4%	54.8%	6.5%	38.7%	84.6%	15.0%	0.6%	0.6%	1.2%	19.5%	54	88	17.4%	51.1%	0.0%	1.1%	0.0%	21.6%	12.5%	65.9%	0.00%
Oregon	84	94.0%	40.5%	9.5%	50.0%	92.9%	6.0%	0.0%	0.0%	0.0%	28.6%	36	31	36.9%	61.3%	0.0%	0.0%	0.0%	32.3%	12.9%	54.8%	0.16%
Osage	361	98.1%	39.9%	14.4%	45.7%	89.5%	10.5%	0.0%	0.0%	0.0%	17.7%	51	103	28.5%	48.5%	0.0%	0.0%	0.0%	24.3%	1.9%	38.8%	0.10%
Ozark	87	100.0%	39.1%	3.4%	57.5%	79.3%	13.8%	1.1%	0.0%	1.1%	17.2%	51	25	28.7%	76.0%	0.0%	0.0%	0.0%	24.0%	8.0%	52.0%	0.39%
Pemiscot	129	93.0%	34.9%	7.0%	58.1%	93.8%	6.2%	2.3%	0.0%	10.9%	24.0%	42	69	53.5%	63.8%	4.3%	0.0%	17.4%	29.0%	4.3%	55.1%	0.00%
Perry	420	94.3%	47.4%	4.0%	48.6%	90.5%	9.0%	1.4%	0.5%	0.0%	20.7%	47	144	34.3%	55.6%	0.7%	0.7%	0.0%	29.2%	3.5%	54.9%	0.28%
Pettis	905	86.9%	50.5%	4.5%	44.3%	77.0%	22.4%	3.2%	0.2%	1.7%	21.0%	49	253	28.0%	56.1%	2.8%	0.0%	3.2%	26.9%	19.8%	47.8%	0.04%
Phelps	734	87.1%	53.3%	3.3%	43.5%	91.8%	8.2%	1.4%	2.7%	0.4%	21.9%	54	194	26.4%	55.2%	0.5%	1.0%	0.5%	26.8%	10.3%	56.7%	1.16%
Pike	384	98.4%	47.7%	4.9%	47.4%	82.8%	16.7%	0.5%	0.0%	2.1%	20.3%	46	155	40.4%	56.8%	0.6%	0.0%	2.6%	23.9%	6.5%	57.4%	0.08%
Platte	3369	93.6%	55.1%	2.3%	42.5%	91.0%	8.8%	2.8%	1.7%	3.3%	28.2%	75	683	20.3%	57.4%	3.2%	1.0%	6.9%	34.4%	11.4%	56.2%	1.49%
Polk	981	95.6%	50.1%	3.7%	46.3%	85.7%	14.2%	1.0%	0.2%	0.1%	23.6%	60	300	30.6%	41.7%	0.7%	0.3%	0.0%	28.3%	9.3%	67.7%	0.87%
Pulaski	1036	62.6%	61.8%	4.7%	33.7%	90.2%	9.6%	6.0%	1.0%	9.6%	23.4%	57	241	23.3%	47.3%	3.7%	0.8%	9.5%	24.5%	9.5%	51.5%	2.01%
Putnam	53	94.3%	54.7%	1.9%	43.4%	69.8%	30.2%	0.0%	0.0%	0.0%	15.1%	72	12	22.6%	41.7%	0.0%	0.0%	0.0%	8.3%	0.0%	100.0%	0.03%
Ralls	167	95.8%	48.5%	3.6%	47.9%	83.8%	14.4%	0.6%	0.0%	0.6%	20.4%	53	56	33.5%	62.5%	0.0%	0.0%	0.0%	26.8%	7.1%	73.2%	0.06%
Randolph	488	93.4%	52.5%	4.3%	43.2%	85.5%	14.5%	1.6%	0.0%	2.9%	28.9%	44	167	34.2%	50.9%	3.6%	0.0%	6.0%	35.9%	13.8%	55.7%	0.14%

County	# Orig	% Conv	% Purch	% Imp	% Refis	%Own Occ	%Not OO	% Hisp	% Asian	% Black	% Fml	Med Inc	#Hi Lns	% HiLns	%Hi Refi	%Hi Hsp	%Hi Asn	%Hi Blk	%Hi Fml	%Hi NOO	%Hi<Mi	
Ray	782	94.9%	39.5%	4.7%	55.8%	91.2%	8.7%	0.8%	0.6%	1.0%	22.8%	57	300	38.4%	58.3%	1.0%	0.3%	2.3%	25.0%	17.7%	52.0%	0.19%
Reynolds	86	98.8%	32.6%	4.7%	62.8%	86.0%	14.0%	3.5%	0.0%	0.0%	19.8%	41	43	50.0%	65.1%	4.7%	0.0%	0.0%	25.6%	11.6%	60.5%	0.18%
Ripley	174	89.1%	40.8%	7.5%	51.7%	89.1%	10.3%	0.6%	0.0%	0.0%	25.3%	42	58	33.3%	63.8%	1.7%	0.0%	0.0%	29.3%	8.6%	44.8%	0.02%
St. Charles	16550	94.1%	50.5%	1.6%	47.8%	93.2%	6.7%	1.6%	1.7%	3.3%	26.1%	71	3449	20.8%	63.5%	2.2%	1.0%	6.6%	30.2%	6.9%	52.6%	1.63%
St. Clair	159	96.2%	36.5%	7.5%	56.0%	66.0%	7.5%	0.6%	0.0%	0.0%	28.3%	39	85	53.5%	54.1%	0.0%	0.0%	0.0%	32.9%	2.4%	56.5%	0.04%
St. Genevieve	438	95.0%	45.0%	4.1%	50.9%	91.1%	8.4%	0.7%	0.0%	0.7%	19.2%	52	136	31.1%	67.6%	0.7%	0.0%	0.0%	24.3%	0.7%	62.5%	0.13%
St. Francois	1909	93.6%	48.2%	6.5%	45.2%	86.5%	12.8%	0.8%	0.2%	0.2%	23.1%	50	734	38.4%	50.7%	1.1%	0.1%	0.3%	25.1%	9.9%	50.8%	0.07%
St. Louis Co	42042	95.4%	45.3%	2.7%	52.0%	87.7%	12.2%	1.3%	2.2%	20.4%	34.5%	61	13300	31.6%	59.7%	1.6%	1.0%	40.6%	44.1%	13.1%	61.5%	1.46%
Saline	497	90.9%	45.9%	4.8%	49.3%	84.1%	15.5%	10.5%	0.0%	2.0%	25.2%	42	177	35.6%	62.7%	5.1%	0.0%	5.1%	31.6%	16.4%	49.7%	0.05%
Schuyler	29	89.7%	34.5%	10.3%	55.2%	93.1%	6.9%	0.0%	0.0%	0.0%	27.6%	52	13	44.8%	92.3%	0.0%	0.0%	0.0%	30.8%	0.0%	61.5%	0.09%
Scotland	25	92.0%	60.0%	4.0%	36.0%	92.0%	8.0%	0.0%	0.0%	0.0%	40.0%	58	7	28.0%	42.9%	0.0%	0.0%	0.0%	42.9%	14.3%	0.0%	0.13%
Scott	929	94.9%	55.1%	3.7%	41.2%	76.9%	23.1%	1.2%	1.3%	14.1%	25.8%	46	445	47.9%	32.8%	0.9%	2.0%	25.8%	30.1%	38.2%	54.6%	0.11%
St. Louis City	14103	95.5%	48.6%	3.7%	47.7%	75.0%	24.9%	2.0%	1.7%	29.8%	35.7%	54	5932	42.1%	54.2%	2.1%	1.2%	48.3%	41.9%	28.2%	53.2%	2.39%
Shannon	65	98.5%	32.3%	1.5%	66.2%	93.8%	4.6%	0.0%	0.0%	0.0%	26.2%	44	24	36.9%	75.0%	0.0%	0.0%	0.0%	29.2%	0.0%	41.7%	0.17%
Shelby	40	95.0%	37.5%	7.5%	55.0%	92.5%	7.5%	0.0%	0.0%	0.0%	12.5%	39	13	32.5%	53.8%	0.0%	0.0%	0.0%	7.7%	7.7%	46.2%	0.21%
Stoddard	415	84.1%	45.8%	3.9%	50.4%	95.7%	4.3%	0.5%	0.2%	0.2%	24.1%	45	158	38.1%	60.8%	0.0%	0.0%	0.6%	31.0%	3.2%	56.3%	0.01%
Stone	1392	97.2%	54.8%	3.0%	42.2%	66.0%	33.4%	0.9%	0.6%	0.1%	20.2%	72	256	18.4%	45.7%	0.0%	0.4%	0.4%	26.6%	21.9%	52.7%	0.94%
Sullivan	66	90.9%	59.1%	1.5%	39.4%	92.4%	7.6%	25.8%	0.0%	0.0%	19.7%	43	16	24.2%	68.8%	12.5%	0.0%	0.0%	31.3%	18.8%	43.8%	0.40%
Taney	1954	96.3%	61.0%	1.7%	37.3%	65.5%	33.8%	2.3%	1.4%	0.7%	25.3%	69	483	24.7%	41.6%	2.9%	0.8%	1.4%	31.1%	25.3%	53.0%	0.82%
Texas	400	86.3%	41.8%	3.3%	55.0%	78.3%	11.0%	1.5%	0.5%	0.3%	22.3%	47	113	28.3%	58.4%	2.7%	0.9%	0.0%	31.0%	4.4%	53.1%	1.31%
Vernon	366	95.6%	49.7%	2.5%	47.8%	91.0%	9.0%	1.4%	0.3%	0.0%	27.9%	46	111	30.3%	60.4%	0.9%	0.9%	0.0%	35.1%	2.7%	55.0%	NA
Warren	1425	91.8%	49.5%	2.4%	48.1%	85.3%	14.6%	1.1%	0.1%	0.9%	19.4%	62	346	24.3%	59.0%	0.9%	0.0%	1.2%	28.0%	6.1%	56.1%	0.49%
Washington	532	96.1%	44.5%	9.4%	45.9%	89.3%	10.3%	1.5%	0.0%	0.2%	19.7%	49	241	45.3%	47.7%	2.1%	0.0%	0.4%	24.9%	7.1%	51.9%	0.03%
Wayne	121	95.0%	49.6%	2.5%	47.9%	83.5%	16.5%	0.0%	0.0%	0.0%	24.0%	47	42	34.7%	64.3%	0.0%	0.0%	0.0%	26.2%	7.1%	69.0%	0.04%
Webster	1276	94.6%	48.8%	2.7%	48.5%	86.5%	13.2%	1.0%	0.2%	0.2%	21.9%	48	415	32.5%	50.6%	1.2%	0.2%	0.5%	28.4%	9.6%	55.4%	1.00%
Worth	18	100.0%	44.4%	5.6%	50.0%	66.7%	11.1%	0.0%	0.0%	0.0%	16.7%	53	5	27.8%	60.0%	0.0%	0.0%	0.0%	60.0%	20.0%	60.0%	NA
Wright	408	96.8%	37.7%	10.5%	51.7%	72.3%	15.0%	0.2%	0.0%	0.0%	20.1%	44	131	32.1%	49.6%	0.0%	0.0%	0.0%	23.7%	14.5%	62.6%	1.01%
Total		93.2%	50.1%	3.1%	46.7%	84.8%	14.7%	1.9%	1.2%	9.5%	28.3%			29.8%	40.5%	2.4%	0.8%	19.7%	34.9%	14.3%	55.6%	1.31%

Description of abbreviations:

Orig: originations

Conv: conventional loans

Purch: purchase loans

Imp: improvement loans

Refis: refinanced loans

Own Occup: owner occupied

Not OO: not owner occupied

Med Ln\$: median loan amount

Avg Ln\$: average loan amount

Hisp: Hispanic

Asn: Asian

Blk: Black

Fml: Female

Med Inc: median income

Avg Inc: average income

HiLns: high-priced loans

Hi Pur: high-priced loans for purchases

Hi Refi: high-priced loans for refinances

Hi Hisp: high-priced loans to Hispanic borrowers

Hi Asn: high-priced loans to Asian borrowers

Hi Blk: high-priced loans to Black borrowers

Hi Fml: high-priced loans to female borrowers

Hi OO: high-priced loans for owner-occupied housing

Hi NO: high-priced loans for non-owner-occupied housing

Hi<MI: high-priced loans for borrowers with incomes below county median

Frcls: foreclosures



The Subprime Mortgage Impact On Missouri Consumers:

**Responses to
Subprime Mortgage
Problems: Lawmakers, Credit
Unions, Consumers**

Table of Contents

Executive Summary	Page 62
Introduction	Page 65
Fed Response	Page 65
State Response	Page 67
Other State Responses	Page 68
Loan Modifications/Industry Response?	Page 69
Credit Union Responses	Page 71
Help for Financially Stressed Homeowners	Page 72
Concluding Response Strategies	Page 74
References	Page 75
Appendix A	Page 76
Appendix B	Page 78
About the Authors	Page 80

The Subprime Mortgage Impact on Missouri Consumers:

Responses to Subprime Mortgage Problems: Lawmakers, Credit Unions, consumers

Executive Summary

When the world as we know it has gone awry, there is a tendency to retaliate against any entity or any person remotely responsible. That response is going even beyond the one of locking the barn door when the horse escapes; it's nailing the barn door so securely shut that it's impossible to get the horse back into the barn. In the case of the subprime mortgage calamity it seems the measure of greed and stupidity by many of the players exceeded any plausible explanation. Yet, trying to close up all the loop holes that enabled it to happen will virtually ensure a dried-up credit market for higher-risk borrowers, and perhaps even for credit-worthy borrowers.

The good news is that the flood gates have been raised and the financing of toxic subprime loans has come to an end. It's now time for damage control. The bad news is the flood gates have been raised and credit sources are few and far between.

Deceptive practices such as falsifying incomes or changing loan terms on the part of mortgage brokers at the time of loan closing are clearly fraudulent. Yet, if brokers can threaten frightened borrowers into signing such loan documents so that the brokers can claim innocence, how will murkier terms such as "steering" – the practice of leading a borrower to a more expensive loan than is necessary – be clearly defined and identified? If the result is added legal and compliance costs, these will either be passed on to the borrower in higher fees or rates, or lenders will choose not to make loans to higher-risk borrowers. Such is the risk with enacting more restrictive legislation or regulation. It may only force deceptive brokers to become more innovative with their techniques, while at the same time, cause responsible lenders and brokers to become more cautious and conservative with loan underwriting practices.

The best response is an industry response from the same players that brought us the subprime meltdown. The Hope Now Alliance and Project Life Line are such responses. Supported by the Department of the Treasury and HUD, these are collective alliances between large banks, counselors and loan servicers to prevent homeowners from foreclosures and to assist borrowers with loan help. The overall effectiveness of these programs remains unclear at this time, but as loan delinquencies and the threat of foreclosures increase, the organizations may be forced to respond in a more streamlined manner.

In the meantime, this is an opportunity for credit unions to become active participants in the response process. Credit unions can help members and potential members get out from burdensome mortgage and other debt pressures. Credit unions can partner with their respective legislators to help constituents/consumers obtain financial or homeowner counseling or find federal, state, or local loan assistance. Credit unions were not part of the subprime problem, but they are well-positioned to be part of the response.

Following is a synopsis of suggested responses to the subprime mortgage meltdown by lawmakers, credit unions and consumers:

Lawmakers

- Federal authorities need to keep the pressure on the Hope Now Alliance to continue to assist financially stressed homeowners.
- Avoid any direct intervention in the mortgage contract such as writing down loan amounts to current appraisal value, as has been discussed at the federal level.
- Avoid legislation that would prohibit all subprime lending. There is still value in subprime mortgage lending because it offers the opportunity for those who don't qualify for conventional mortgage to become homeowners.
- Obtain foreclosure information on homes in the lawmaker's district and provide consumer resource information (such as the resources located in this report Appendix B).
- Work with in-district credit unions to provide constituent town hall presentations on options to avoid foreclosure.

Credit Unions

- Include consumer information on how to avoid foreclosure such as the resources located in this report Appendix B.
- Provide foreclosure avoidance/refinancing presentations to members/community groups.
- Participate in the Home Loan Payment Relief (HLPR) program to assist first-time home buyers who are finding credit is now more difficult to secure.
- Include messages in marketing that the credit union is available to help in valuating options for financially stressed homeowners.
- Develop a damage control plan to help members and prospective members who are facing delinquencies with other loans as a result of resetting subprime loans.

Consumers

Financially Stressed Homeowners

- If consumers are facing arm rate adjustments or potential foreclosure, they should contact their financial institution, mortgage provider or one of the resources listed in Appendix B regarding options.
- Be wary of aggressive mortgage providers that may offer to refinance but include exorbitant fees.

First-time home buyers

- Use a 2 ½ x annual income guideline as the top dollar amount they will spend for a home.
- Become educated. Talk to a trusted source such as a credit union or primary financial institution regarding what type of mortgage is best for their individual situation. Avoid interest only loans.

This paper provides a review of federal and state responses and describes in more detail some of the various legislative responses at the federal and state level to the subprime mortgage meltdown as well as additional recommendations for how individual lawmakers can assist their constituents. It includes a section on loan modifications as the potential for a strong mortgage industry response. Suggestions and examples for how credit unions can respond are provided. The final section includes resources for financially stressed homeowners.

Introduction

The subprime mortgage crisis has been the subject of attention in Congress, in state capitols, on Wall Street, by the Bush administration, and by financial institution regulators and supervisors. Banks and credit unions are seeking ways to help strapped customers and members caught in the subprime meltdown and consumer groups are engulfed with families struggling to retain their homes.

Subprime loans represent about 11.5% of the \$10.4 trillion U.S. mortgage market, or about \$1.2 trillion

But is it a headache worthy of a lobotomy or just an aspirin? Subprime loans represent about 11.5% of the \$10.4 trillion U.S. mortgage market, or about \$1.2 trillion. As home values were appreciating, investor demand for higher-priced loans fueled the subprime mortgage industry with a steady supply of money and the hidden effects of securitization encouraged lax and even unscrupulous underwriting practices on the part of subprime mortgage brokers. The meltdown effects of falling home values have been felt around the world. But what is the proper response and how broad should its tentacles reach? That is the subject of much debate and hand-wringing.

Federal Response: Rate, regulation, stimulus checks

Monetary Policy and Liquidity Adjustments

Following 17 increases in its discount rate from 2004 through 2006, the Federal Reserve Bank has since cut its discount rate – the rate at which it lends directly to banks - by four percentage points since August 2007, with 1.25 percentage points occurring over an eight-day span in January. In a statement before the Joint Economic Committee on April 2, 2008, Fed Chairman Ben Bernanke said the central bank would respond aggressively to alleviate stressed markets by lowering interest rates to assure banks of the availability of a backstop source of liquidity. He cited declining home values as the center of the credit crunch.

The Fed is also hopeful that the \$168 billion stimulus package of tax rebates for consumers and tax breaks for businesses will boost the economy the second half of this year.

Easing monetary policy and injecting liquidity into the markets is one way to soften the economic blow of the credit market crisis. Yet, financial markets remain stressed and immobilized. Banks across the country have been tightening their lending standards as they write down under-performing assets. A healthy economy requires healthy financial markets willing to lend money to businesses and consumers.

Legislative/Regulatory Proposals

A more complicated response that could result in unintended consequences is the push for more restrictive legislation and regulation to prevent subprime mortgage predatory practices and fraud. When constituents are hurting from a world seemingly gone amok, the natural reflex is to respond with a rash of corrective actions. **Often, however, the actions are excessive and create restrictions for the very market for which the protections were intended.**

The House and Senate have been grappling with anti-predatory lending legislation that would require mortgage originators to ensure borrowers' ability to repay, prohibit steering borrowers into subprime loans, increase disclosures, and prohibit prepayments and balloon payments on subprime loans. While these proposals may sound beneficial and protective to consumers who are unfamiliar with the complications of mortgage borrowing, they may in fact increase processing costs and time in securing a loan. They may also limit loan funds that mortgage originators may be willing to lend to higher risk borrowers under more restrictive circumstances.

As a regulatory response, the Federal Reserve Board (FRB) has proposed changes to Regulation Z (Truth in Lending) to protect consumers from unfair or deceptive home mortgage lending and advertising practices. The rule would be adopted as part of the Home Ownership and Equity Protection Act (HOEPA) which gives the Board the responsibility to prohibit mortgage practices that it finds to be unfair or deceptive.

The final rule is still pending approval, but the proposal includes protections for "higher-priced mortgage loans" secured by a consumer's primary dwelling. "Higher-priced loans" are defined as first-lien mortgages with annual percentage rates (APRs) that are three percentage points or more above the yield on comparable Treasury notes, or subordinate liens with APRs five percentage points or more above comparable Treasury yields.

For loans that fall within this definition, the plan would require mortgage originators to show borrowers can realistically afford the loan and prepayment penalties would be prohibited except under certain conditions. Lenders would have to disclose any hidden fees rolled into interest payments. It would also prohibit certain types of advertisements considered misleading.

Responses from the mortgage and banking industry have cautioned that the new regulations could restrict lending to creditworthy borrowers who have not gotten into problems with subprime mortgages. Consumer groups, on the other hand, have responded that the proposed rules are in fact too weak already, and any further weakening will make them useless.⁷⁶

⁷⁶ Kansas City Star.

A proposal by the U.S. Treasury Department to overhaul the structure of financial markets is also meeting with opposition by financial institutions. Under Treasury's plan to overhaul regulatory oversight, the Federal Reserve Board would play a broader role as a regulator to ensure market stability by limiting risks financial institutions can take.

Of major concern is the threat to the state and federal dual chartering system for financial institutions. The proposal would require all federally insured institutions to have a common federal depository institution charter that would eliminate state charters. State chartered credit unions in Missouri and other states have expressed grave concern with the proposal. They argue that state charters enable financial institutions, including credit unions, to respond more quickly and flexibly to local economic fluctuations within their borders. The proposal would also eliminate the National Credit Union Administration (NCUA), the credit union insurer and regulator for federally-chartered credit unions. Credit unions argue the insurance fund is strong and adequately funded and the agency has a keen understanding of the unique not-for-profit structure of credit unions that would be lost under the FRB umbrella.⁷⁷

Missouri State Response: Good protection from prepayment penalties already in place

Missouri's current loan statute under Chapter 408 prohibits prepayment penalties on loans secured by residential real estate after five years from the origination date of the loan. Prepayment penalties are limited to two percent of the balance at the time of repayment. Missouri usury law limits first mortgage origination fees to one percent. But Section 408.052 of the statute is preempted under PL 96-221 (DIDMCA) for "qualified lenders." As a result, a qualified lender may charge any agreed origination fee to a borrower and use those proceeds to pay a mortgage broker in an amount agreed upon by the lender and broker. In a guidance statement by the Missouri Division of Finance regarding broker compensation, the Division states that mortgage brokers do not have federal preemption. Therefore, if brokers are not exclusively compensated by the lender, they cannot receive more than one percent of any proceeds that come directly from the borrower.

State legislation has been introduced for several years in Missouri to limit or prohibit certain practices that are defined as predatory or abusive in nature, such as prepayment penalties, steering (the practice of leading a borrower to a more expensive loan than is necessary), and inadequate verification of a borrower's ability to repay. To date, these legislative attempts have been unfruitful and have not made it out of committee.

A bill to create civil and criminal penalties for mortgage fraud, SB 1059, sponsored by Senator Kevin Engler, was passed in 2008 as part of an omnibus business bill.

⁷⁷ See for example the response by the Missouri Credit Union Association at www.mcua.org/Regulatory_Restructuring_Comment_Letter_508.html.

Whereas Missouri consumers might benefit from added mortgage protections that would limit abusive practices, there remains the risk of unintended consequences of creating a more restrictive and expensive lending environment. The study by Li and Ernst cited below shows that consumers can benefit from more restrictive laws, and in particular more restrictive prepayment penalties, but the study does not identify those particular elements which make a law more consumer-friendly or more consumer-averse. Missouri is included in the grouping that includes restrictive prepayment penalties. As noted, Missouri statute only restricts prepayment penalties after five years. While the study notes that more restrictive prepayment penalties resulted in lower interest rates, it does not indicate at which point prepayment penalties help or harm potential borrowers. Certainly consumers benefit from no prepayment penalties. But will lenders be willing to extend credit to higher-risk borrowers if the borrower is free to refinance without penalty at any point in the loan? With the prevalence of recent state laws that have been enacted, there is ample opportunity to measure the impact these laws are having on consumers' ability to obtain loans at reasonable costs.

Other State Responses: Proceed with caution

As many as 41 states have legislation in varying degrees of enforcement restricting predatory mortgage lending, with North Carolina among the first to pass a strong Predatory Lending Law in 1999, which became effective in 2002. Research studies trying to assess the effectiveness of these statutes have been mixed because of their recent enactment and the variations in restrictions and prohibitions that exist within each state law. Of interest in any analysis of effectiveness is the extent state law affects:

- 1) Originations with those characteristics targeted for reform,
- 2) The overall loan flow, and
- 3) Loan costs to borrowers.

A law is most effective if it reduces loans with targeted characteristics, without reducing overall loan flow to consumers (a measure of the statute's restrictiveness) and without increasing loan costs to borrowers (costs associated with increased legal risks or compliance costs).

Perhaps the most comprehensive analysis of recent state predatory mortgage regulations is that conducted by Li and Ernst (2007)⁷⁸ which examined the effects of 33 state loan reforms (representing 27 states and the District of Columbia) using a database of seven million subprime mortgage loans originated between January 1998 and March 2005. The intent was to analyze the effects of state laws in decreasing those loan characteristics targeted for reform, yet without decreasing overall loan flow or increasing costs to borrowers. Overall, they found a decrease in the loans containing targeted or undesirable characteristics, a decrease in loan costs to borrowers and no significant change in the number of loans originated.

⁷⁸ Li & Ernst (2007)

The authors estimated their loan analysis covered about 71 percent of subprime loans originated during the 7-year period. The Home Ownership and Equity Protection Act of 1994 (HOEPA) was used as the baseline from which to evaluate state statutes, with those states with laws containing similar protections as that provided by HOEPA serving as the control group. The statutes of the 27 states plus DC were assigned grades one through three based on their level of restrictive protections for borrowers with three representing the strongest (most restrictive) laws.

States with the strongest laws were Massachusetts, New Jersey, New Mexico, New York, North Carolina and West Virginia. Missouri was included with group two, those 11 states with protections for prepayment penalties only. While the study focused specifically on these targeted practices: prepayment penalties, balloon payments and steering, only prepayment penalties were included in a substantial proportion (59 percent) of subprime loans, with balloon payments and steering representing only 3 percent and 14 percent of loan volume respectively.

As might be expected, those states with the strongest regulations produced the greatest decline in targeted loans. The grouping that included Missouri showed an insignificant decline in targeted loan volume, but a significant increase in non-targeted loan volume, resulting in an overall increase in loan volume. The study reported significantly lower interest rates, including the Missouri group, with subprime prepayment restrictions. Specifically, states with the strongest prepayment regulations reduced interest rates by .10 to .27 percentage points.

As to why rates declined in a more restrictive lending environment, the authors suggest the restrictions may have driven out more predatory lenders from the state, leaving a more competitive environment for responsible lenders. They also suggest that greater restrictions on prepayment penalties may have discouraged the practice of paying bonuses to mortgage brokers for steering borrowers to higher rate loans, if borrowers were able to refinance the loan in a short period of time for a better rate.

It should be noted, however, that whereas the findings from this study would tend to encourage states to institute more restrictive mortgage laws, the study does not clearly differentiate between those practices that led to more competitive lending behavior and those practices which led to a decline in overall loan volume. Further analyses of specific practices and their impact on the availability of credit to consumers would be warranted.

Loan Modifications - Industry Response?

If the subprime mortgage meltdown was promoted by investor and mortgage industry greed, why not let the same players provide the bailout?

Subprime 2/28 and 3/27 loans account for 4.8 percent of aggregate outstanding U.S. mortgage debt, but 41 percent of outstanding subprime mortgage loans. These loans have

either reset or are scheduled to reset in the near future and can have grave consequences on homeowners unable to afford the new payment.

To respond expeditiously to the high volume of resetting loans, Secretary of Treasury Henry Paulson has called for a system-wide mortgage restructuring plan that would freeze interest rates at their teaser rates. Sheila Bair, FDIC Chair, has similarly pushed for an extension of starter rates for up to five years. In particular, the loan modification plan is intended to help those borrowers who remained current during their initial period, but fell behind or are likely to fall behind when rates reset. She estimated this number to be as high as 1.4 million loans.⁷⁹ The majority of these starter rates are already above market rates for prime loans.

The American Securitization Forum and the Securities Exchange Commission have developed a set of guidelines that put banks in the driver's seat to declare large amounts of mortgages in danger of default and to rewrite them – even though these mortgages are securitized and technically owned by investors. Under the plan, lenders can modify loans to large groups of borrowers by merely sending a letter outlining the new terms of the loan. There is no requirement for the borrowers to respond or sign any new documents. Once the borrower has made two payments under the new terms, the borrower has essentially agreed to the loan modification.⁸⁰

The guidance simplifies the process where servicers are bound to the interests of bondholders in the aggregate. Investor interests are protected by limiting losses to the pool of loans, rather than on a case-by-case basis. With a declining housing market, investor net present value (NPV) will generally be greater through retaining starter rates, rather than the risk of foreclosures through upward resetting rates.⁸¹

In California, Governor Schwarzenegger reached an agreement with several large loan servicers to extend teaser interest rates for several years. In a statement before the House of Representatives Committee on Financial Services, Senior Deputy Director and Chief Operating Officer of the Office of Thrift Supervision (OTS) Scott Polakoff cautioned legislators to allow and encourage industry responses such as loan modifications be implemented as solutions to the subprime crisis, rather than legislative and/or regulatory actions, which he stated, “Could hinder rather than help at this point in the process.”⁸² He cautioned further against compromising the collective interests of all consumers to affordable mortgages for the comparatively few who entered into bad arrangements. He concluded, “It would be a policy failure to produce a result that alters mortgage funding so that the future costs or availability of mortgage credit is adversely affect for all consumers.”

⁷⁹ Bair, S.C. (1/31/08)

⁸⁰ Reason, T.

⁸¹ Bair, S.C. (1/31/08)

⁸² Polakoff, S.M.

Credit Union Responses: Financial education on alternatives

The deteriorating housing market has thus far had limited impact on credit union operations. Credit unions retain most of the mortgages they originate (about 70 percent),⁸³ so prudent underwriting remains the rule. Those loans that are sold are typically sold to Fannie Mae or Freddie Mac, and therefore must conform to their guidelines.

Missouri credit unions report they haven't seen a lot of members coming to them yet asking for help to get out of abusive subprime loans. But with Missouri's high subprime delinquency rate of 21.8 percent, that time may be coming sooner rather than later. Most credit unions have adequate or even high capital levels and are therefore in a position to help distressed members. For those credit unions without the capacity to make mortgage loans, help for members or potential members can come through rewriting or consolidating other debt to make rising house payments more manageable. Budget counseling or referrals to Consumer Credit Counseling Services or other home assistance or lifeline programs available in the community may be the help members need.

For those credit unions with the liquidity and capacity to help rescue members out of burdensome or predatory mortgage loans, a few examples of programs credit unions in other parts of the country are providing are included in Appendix A. Caution should be exercised and risks assessed as with any new loan program, but credit unions have the opportunity to present themselves as well-positioned market participants.

Whereas most credit unions remained outside the subprime mortgage world, many banks or their subsidiaries were involved in making troublesome subprime loans. The negative effects from these loans will be felt on their operations for a long time to come. Banks came under increasing pressure to rescue the mortgage investment vehicles they sponsored by inserting the financially stressed off-balance-sheet assets onto their own balance sheets. Their balance sheets were further swelled by non-conforming loans which they had extended, but for which there no longer existed a secondary market. A combination of larger balance sheets and unexpected losses from the declines in mortgage and home values resulted in a decline in bank capital ratios. These developments have prompted banks to become exceptionally protective of their liquidity and balance sheet capacity.⁸⁴ The result means more expensive and less available credit for even those borrowers with good credit. Thus, an opportunity for credit unions.

⁸³ *Credit Union Times*, 2/6/08.

⁸⁴ Bernanke, B.S. (1/10/08).

Help for Financially Stressed Homeowners

FDIC Chairman, Sheila Bair, divided the 1.4 million subprime borrowers into three groups:⁸⁵

- Those with loans already past due under the starter rate that cannot be remedied or will need restructuring on a case-by-case basis;
- Those with well-structured and underwritten loans that can be expected to perform reasonably well without modification; and
- Those with marginal loans that remained current prior to reset, but will likely fall behind after reset.

Borrowers in the first group are estimated to be at least 13 percent, those already at least 90 days past due on their loans. The second group, those that need little help, is estimated to represent only about three percent of total subprime mortgage borrowers. That means the last group represents about 84 percent of subprime borrowers. It is this last group of borrowers Bair hopes can be helped through streamlined loan modification efforts by freezing starter rates for three to five years.

The following are some of the programs available to homeowners who need help getting out from under debilitating subprime loans.

Hope Now Alliance

The Hope Now Alliance is an example of an industry response to its own problem in the making. It is a coalition of 25 of the largest mortgage lenders and servicers in the country that was formed in October 2007 at the urging of Treasury Secretary Henry Paulson to maximize outreach efforts to homeowners in distress. But whereas Hope Now claims it has helped one million households with loan workouts, only about 20 percent have been subprime loan modifications, resulting in a change in terms of original loan contract. The rest have been repayment plans which allow the borrower to become current and catch up on missed payments without any substantial alteration of loan terms.⁸⁶

While the alliance states the percentage of modifications is rising, critics claim few homeowners are getting the relief they are seeking, and for those borrowers receiving modifications, there is no information provided by the alliance as to what types of modifications are being pursued and whether these modifications will lead to sustainable solutions. Critics further argue that the alliance players – mortgage lenders, loan servicers and big investors – are reluctant to change loan terms substantially if doing so hurts them.⁸⁷

⁸⁵ Bair, S.C. (12/06/07)

⁸⁶ www.mortgagenewsdaily.com.

⁸⁷ *Ibid.*

So whereas Hope Now is intended to be an industry response to the subprime problem, it appears to be currently focused on lender interests rather than borrower interests. Until investors begin to realize their losses can be mitigated through streamlined and automated modifications and pressure their servicers accordingly, the Hope Now Alliance may be limited in the help it provides to financially stressed subprime borrowers. With that said, however, Hope Now has helped borrowers and is an available resource. To speak with a mortgage counselor, homeowners can call 888-995-Hope or log onto its website at www.hopenow.us.

Project Life Line

The Department of the Treasury announced project Life Line in February 2008 to help homeowners at risk of foreclosure. The plan includes freezing the foreclosure process for 30 days while the mortgage is renegotiated or refinanced. Homeowners who are 60 to 90 days delinquent on their mortgage payments are the target market for Project Life Line and should be the recipients of a letter notifying them of steps to take to be included in the foreclosure “pause.”⁸⁸ Participants in the Hope Now Alliance have agreed to abide with Project Life Line. Further information is available at www.hopenow.us.

FHASecure

HUD’s Federal Housing Administration (FHA) expanded its *FHASecure* plan in April 2008, to help an estimated 500,000 families refinance into prime-rate FHA-insured mortgages by the end of 2008. In August 2007, FHA modified its refinancing program to help creditworthy homeowners who missed payments after their teaser rates reset. The expanded plan modifies the eligibility criteria to include: Borrowers with ARMs who were late on two (three) consecutive monthly mortgage payments or at two (three) different times over the previous 12months.

For those borrowers with two late payments, FHA will require a 97% LTV ratio and for those with three late payments, the agency will require a 90% LTV. Lenders are encouraged to either write down the outstanding subprime mortgage principal balance to the required LTV or use subordinate financing to fill the gap. As with all FHA-insured loans, borrowers will be required to pay upfront any annual premiums on their loans. HUD estimates that homeowners using *FHASecure* are saving on average \$400 a month compared to their previous subprime loans.⁸⁹

For more information about the program or to learn of a nearby FHA approved lender, go to www.hud.gov/news/fhasecure.cfm or call 1-800-CALLFHA.

Other Resources for Financially Stressed Homeowners

⁸⁸ <http://newsroom.bankofamerica.com/index/php?s=speeches&item=188>.

⁸⁹ www.hud.gov/news/release.cfm?CONTENT=pr08-050.cfm.

Appendix B includes some other resources and websites to help financially stressed homeowners. As part of the credit union response, it is suggested that credit unions add to this list any other resources in their communities with which they are familiar. Also, if the credit unions offer financial or homeownership counseling or are able to make referrals to other counseling providers in their area, this information should be noted.

Concluding Response Strategies

While credit unions were not part of the subprime problem, they are in excellent positions to be part of the response. The following are some strategies credit unions can take to be visible partners in the assistance process.

1. Introduce a rescue refi program to help members whose subprime ARMs are about to reset or have reset, and are causing financial concerns to the household.
2. Develop a damage control plan to help members and prospective members who are facing delinquencies with other loans as a result of resetting subprime loans.
3. Establish a homeowners counseling program or find a local provider to help homeowners budget for resetting ARMs and/or to make them aware of other loan resources to get out from under burdensome loans.
4. Provide workshops or offer the credit union as a site for workshops that would acquaint homeowners with assistance resources.
5. Provide homeowners with a list of resources available in the community that can help them with mortgage problems.
6. Contact respective state legislators to find out what they are hearing from their constituents who are burdened with resetting subprime loans and let them know how the credit union can help.

Although not strictly a response to the subprime mortgage crisis, credit unions would do well to assist first-time home buyers who may find their options for mortgages drying up. The credit union national response to assist first-time home buyers is the HLPR program that provides lower-cost mortgages (as outlined in Appendix B). Credit unions not currently participating in the program could join and notify members that this option for first-time home buyers is available.

References:

Bair, S.C. (December 6, 2007). *The Case for Loan Modification*. Testimony by Sheila C. Bair, Chairman, FDIC, before the U.S. House of Representatives Financial Services Committee. Retrieved from www.fdic.gov/bank/analytical/quarterly/2007_vol1_3/2007_Quarterly_Vol1No3.html. on 3/15/08.

Bair, S.C. (January 31, 2008). *Strengthening the Economy: Foreclosure Prevention and Neighborhood Preservation*. Statement by Sheila C. Bair, FDIC Chairman, before the Senate Committee on Banking, Housing and Urban Affairs. Retrieved from www.fdic.gov/news/news/speeches/chairman/spjan3108.html. on 3/11/08.

Bernanke, B.S. (January 10, 2008). *Financial Markets, the Economic Outlook, and Monetary Policy*. Speech by Federal Reserve Chairman Ben Bernanke at the Women in Housing and Finance and Exchequer Club in Washington, D.C. Retrieved from www.federalreserve.gov/newsevents/speech/bernanke20080110a.htm on 3/11/2008.

Credit Union Times, 2/6/08. "Credit unions Hold Mortgages In-House in Mainly Fixed-Rate Loans."

Kansas City Star, 4/28/08. "Lending Reforms Under Attack."

Li, W. & Ernst, K.S. (2007). Do State Predatory Lending Laws Work? A Panel Analysis of Market Reforms. *Housing Policy Debate* 18(2): 347-391.

Mortgage Bankers Association. Rescue Efforts by the Fed, 4/10/2008. Retrieved from www.mbaa.org/NewsandMedia/PressCenter/61799.htm on 4/28/08.

Polakoff, S.M. (December 6, 2007). *Accelerating Loan Modifications, Improving Foreclosure Prevention and Enhancing Enforcement*. Statement by Scott M. Polakoff, Senior Deputy Director Office of Thrift Supervision before the Committee on Financial Services; U.S. House of Representatives. Retrieved from www.ots.treas.gov/pagehtml.cfm?catNumber=33 on 3/30/08.

Reason, T. (2008). Bending the Rules: Efforts to Contain Damage from the Subprime Mortgage Meltdown are Stretching Accounting Rules for Securitization. *CFO*, February 2008: 31-33.

Appendix A

Credit Union Rescue Refinance Programs

Landmark Credit Union, New Berlin, Wisconsin

Contact: Betty Feierstein, VP of Mortgage Lending

The \$1 billion credit union has committed \$10 million to its “Rescue Refi” program, specifically to help those members caught in predatory mortgage loan situations.

Loan specifications:

- Non-convertible 5-year ARM
- LTV ratios up to 105%
- Rate is 3/8th % above the regular 5-year ARM rate
- Additional 1/8th % is added if LTV > 95% or credit score < 620
- 1/4% is added if credit score < 600
- PMI required if LTV > 80%
- Closing costs average about \$1,000 after a 1/2% discount on origination fees
- Average loan amount is \$150,000

Loans are manually underwritten by Feierstein and a few other mortgage underwriters. Interest is high in the program, but many people are unable to qualify for the loan because of credit history problems, notes Feierstein.

Oregon Community Credit Union, Eugene, Oregon

Contact: Jerry Liudahl, VP of Lending

The \$830 million credit union has committed \$2 million to its “ARMBuster” mortgage program for members facing foreclosure, but will re-evaluate the amount depending on response.

Loan specifications:

- 30-year or even 40-year fixed rate loan terms
- LTV ratios up to 105%
- Rate is 1/2% higher than conventional 30-year or 40-year loans

Cautions Liudahl: flexible and smart underwriting is important. A person trapped in a situation where income is squeezed because of a rising mortgage payment will have credit issues, he notes. He looks at the person’s credit record prior to the increased payment. He also considers the borrower’s ability to handle the new refinanced payment. If the payment remains outside the borrower’s ability to repay, he doesn’t make the loan. Financial counseling is offered to borrowers through the credit union’s on-site counselors or through the credit union’s BALANCE program, a financial counseling program.

Local Government Federal Credit Union, Raleigh, North Carolina

Contact: Jane Bright, Education Services Manager

As a response to those homeowners caught in subprime mortgages and at risk of losing their homes, the \$722 million credit union decided to take a proactive step by offering two new products to its members:; A Five-Year ARM and an AllSavers Mortgage.

Five-year ARM specifications:

- 20-year mortgage term
- LTV up to 100% up to \$400,000 on purchases and “no cash out” refinances
- Rate is subject to change every 5 years, but cannot change by more 1.5% or 4.5% over the life of the loan

AllSavers Mortgage specifications:

- 15-year fixed rate mortgage
- LTV up to 100% up to \$400,000
- An additional 10% is financed for a share-term certificate at a rate equal to the mortgage loan
- Certificate funds can be only withdrawn after 10 years from the loan origination or if the mortgage balance is less than the certificate amount

Whereas the credit union uses credit scores to speed along the loan approval process, it uses flexible underwriting guidelines to help members with financial needs. This includes credit history, job stability and debt-to-income ratios.

Golden 1 Credit Union, Sacramento, California

Contact: Teresa Halleck, CEO

“Mortgage Repair Loan” is what this \$6.7 billion credit union is calling its loan response to members who lost their homes to foreclosures due to subprime mortgages. The credit union has set aside \$20 million to help those people who lost their home because of resetting ARMs they could no longer afford and prepayment penalties prevented refinancing and who are trying to purchase another as they rebuild their credit.

Loan specifications:

- 30-year fixed-rate loan
- 20% down-payment required
- Documentation of employment and income
- Borrowers must agree to debt counseling
- Credit score of at least 600 is required

NACA Kansas City	Kansas City MO
Neighborhood Housing Services of Kansas City, Inc.	Kansas City MO
CCCS of Springfield (35003)	Lebanon MO
Credit Counseling of Arkansas (13003)	Pilot Grove MO
ClearPoint Financial Solutions (56003)	Poplar Bluff MO
CCCS of Springfield (35003)	Springfield MO
ClearPoint Financial Solutions (56003)	St. Charles MO
CCCS of Central Ohio (45004)	St. Joseph MO
ACORN - St. Louis	St. Louis MO
ACORN HOUSING, SAINT LOUIS, MO	St. Louis MO
Better Family Life	St. Louis MO
Beyond Housing/ Neighborhood Housing Services	St. Louis MO
Catholic Charities Housing Resource Center	St. Louis MO
Justine Petersen Housing & Reinvestment	St. Louis MO
NACA St. Louis St.	Louis MO
Urban League of Metropolitan St. Louis	St. Louis MO
CCCS of Springfield (35003)	West Plains MO
Missouri Housing Development Commission	Statewide MO

About the Authors

Robert O. Weagley, Ph.D., CFP®

Dr. Weagley is the Department Chair for Personal Financial Planning at the University of Missouri-Columbia. He joined the university in 1984, following appointments at Cornell University, University of California-Davis, and Mount Saint Vincent University at Halifax, Nova Scotia. He received his Ph.D. in Consumer Economics and Housing from Cornell University in 1985. He is the author of numerous publications and book chapters. He is a Certified Financial Planner® and registered investment advisor.

Nancy Pierce, Ph.D.

Dr. Pierce is the president of Tipton Research Group in Kansas City, Missouri, which provides research and consulting services to the credit union industry. She is a 25-year veteran of the credit union industry and served as president of Mazuma Credit Union in Kansas City and chairwoman of both the Missouri Credit Union Association and the Credit union National Association. She received her Ph.D. in Consumer and Family Economics from the University of Missouri-Columbia in 2004.